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Political dissent ferments in Pakistan, Page 4

World news | Business summary

Freedom for Polish political prisoners

The Polish authorities are to free all the country's remaining political prisoners, including prominent Solidarity leaders such as Mr Zbigniew Bujak, who was captured by police on May 31 after four years in hiding.

The Polish press agency reported that Gen Czeslaw Kiszczak, the Interior Minister, has asked the prosecutor general to speed up the release of all detainees by Monday under a semi-amnesty passed by Parliament in mid-July. Page 2

Peres holds talks with Mubarak

The Palestinian issue is expected to dominate discussions between the leaders of Israel and Egypt at their summit which began late yesterday in the Egyptian coastal city of Alexandria.

Pik Botha in HK

South African Foreign Minister Pik Botha arrived in Hong Kong on a private visit aimed at strengthening trade and business links with the British colony. Pretoria reassured on Taiwan trade, Page 4

Aquino warning

Philippine President Corazon Aquino warned the Reagan Administration against interfering with her Government's handling of the Communist insurgency, saying it was a "Filipino matter." Page 4

N-plant campaign

France is stepping up a campaign to try to reassure public opinion in West Germany and Luxembourg about the safety of its contested nuclear power station at Cattenom on the Moselle. Page 2

Asian games protest

South Korean police fired tear gas to disperse students hurling stones and petrol bombs and protesting that the Asian Games opening in Seoul on September 20 are an attempt by the Government to boost its image.

Storm victims

Typhoon Wayne, south-east Asia's longest-lived storm, has killed more than 100 people and injured 1,000 in northern Vietnam. On the Caribbean island of St Vincent, tropical storm Danielle has wiped out half the vital banana crop.

Freezer cold war

The European Commission is introducing a provisional 33 per cent import duty on Soviet freezers which it believes are being dumped on the European Community market. Page 6

Tamil rebels kill 2

Tamil separatists killed two policemen and blew up two transmission towers cutting off power to parts of eastern Sri Lanka.

Euthanasia 'justified'

A Dutch appeal court decided a doctor was justified in ending the life of a 95-year-old mentally ill woman at her request, a ruling expected to widen the scope for euthanasia in the Netherlands.

Drug in army car

A major in the Colombian army has been arrested and stripped of his rank after 80 kg (178 lb) of pure cocaine was found in his official car.

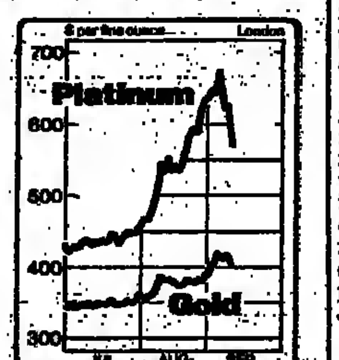
New view on Nile

Ugandan officials have removed a plaque which credited John Speke, the first European to reach Lake Victoria, with the discovery of the source of the Nile in 1862. President Yoweri Museveni said Ugandans had known the place long before.

Profits fall at Murdoch UK unit

NEWS INTERNATIONAL, UK subsidiary of Mr Rupert Murdoch's News Corporation, has reported pre-tax profits down sharply in the year to June 1986 at £11.69m ($17.2m) from £46.78m last year. The group has faced constant protests from unions excluded from the new newspaper printing plant at Wapping in London's docklands. Page 28

PLATINUM and GOLD prices fell heavily on world markets in what traders saw as overdue correction to their exceptional strength in recent weeks. In London platinum fell $53.25 to $570 a troy ounce and gold, which has risen less steeply, was $15.375 lower at $403 an ounce. In New York the December Comex gold settlement was $413. Page 36



WALL STREET: The Dow Jones industrial average closed 86.61 down at 1,792.89. Page 44

TOKYO: Equities fell on profit-taking. The Nikkei average slipped 58.08 to 18,561.25. Page 44

LONDON: Gilts and stocks were lower on selling touched off by Wall Street. The FT-SE 100, less than 2 points off at midday, fell 27 by the close to 1,636.5 while the FT Ordinary share dropped 19.7 to 1,298.2. Page 44

DOLLAR closed in New York at DM 2.0925; SFr 1.6978; FFr 6.8350 and Y156.55. It rose in London to DM 2.0910 (DM 2.0635); SFr 1.6990 (SFr 1.6740); FFr 6.8325 (FFr 6.7450), and Y156.30 (Y154.75). On Bank of England figures the dollar's exchange rate index rose 0.8 to 111.8. Page 37

STERLING closed in New York at $1.4655. It fell in London to $1.4690 ($1.4815). It rose to DM 3.0725 (DM 3.0575); SFr 2.4950 (SFr 2.4800); FFr 10.0375 (FFr 9.9925); and Y229.50 (Y229.25). The pound's exchange rate index rose 0.2 to 71.6. Page 37

CANADIAN Government plans to grant new powers to the country's banks and to limit the ownership of financial institutions by non-financial conglomerates as part of a forthcoming overhaul of legislation regulating the financial services industry. Page 21

FIRST CHICAGO, major US mid-western bank holding company recovering from two years of large write-offs and low earnings, has bought four Chicago suburban area banks for $200m. Page 21

PECHINEY, French nationalised aluminium special metals group, has decided to postpone until the end of November a decision to close down two of its French aluminium plants. Page 23

BOWATER INDUSTRIES of the UK sold its paper-making and merchandising interests to a management buy-out team for £38m ($55.5m). The new company is Britain's biggest paper-maker. Page 7

EUROPEAN FERRIES managing director, Ken Siddle, has resigned, less than two months after relinquishing the chairmanship of the company. Page 21

BURMAH OIL said first-half pre-tax profits rose £1.8m to £37.6m but profits after tax were down from £22m to £20.7m. Shares fell 10p to 386p. Page 28

Wall St slides as concern grows over rates policy

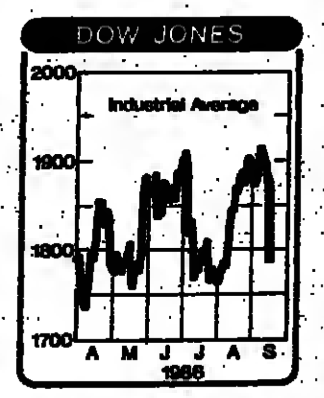
BY RODERICK ORAM IN NEW YORK AND GEORGE GRAHAM IN LONDON

HECTIC TRADING yesterday inflicted the largest one-day fall on the New York stock market in 24 years. Investors interpreted signs of stronger US economic growth as a cause of higher inflation which would force the Federal Reserve Board to end its policy of easing interest rates.

"Very, very emotional trading," as one analyst described it, set a volume record of 238.6m shares, breaking the previous record of 236.6m on August 3, 1984, the day which kick-started the market's unprecedented two-year rally.

Sweeping aside several faint attempts to find price stability, the stock market fell relentlessly to close at 1792.89, a loss of 86.61 points. This was the largest one-day points fall ever, although the percentage decline of 4.6 per cent was only the worst since May 28, 1962.

Underlying the rout were rumours which flashed around the market that US retail sales figures for August, due for release today, would show a sudden acceleration in domestic demand. Traders talked of sales growth of up to 4 per cent month-on-month compared with economists' forecasts of around 1.3 per cent and a rise of 0.1 per cent in July.



Car sales, stimulated by cut-throat financing campaigns, will have pushed up consumer demand in the last days of August. Department stores have already reported buoyant back-to-school sales.

The sudden turn in the market reflects a change in sentiments about prospects for the US and world economy after the summer-long period of economic weakness during which the market's main worry was the threat of recession.

Signs of stronger US growth, raising the spectre of rekindled inflation and higher interest rates, has weakened the bond market in recent weeks.

The West German Bundesbank yesterday decided at its fortnightly council meeting to make no change in its interest rate policies, but this only reinforced the perception that no cut would be made in US interest rates.

Few investors had still clung to the belief that the Bundesbank might cut its rates yesterday, and confirmation that there would be no reduction in West German interest rates failed to weaken the dollar, which gained over 3 pfennigs against the D-Mark.

Other European markets also followed New York, with equities and government bonds tumbling in the afternoon after showing only modest losses at lunchtime.

The FT-SE 100 share index, less than 2 points down at midday, closed with a fall of 27 points at 1,636.5. The FT Ordinary share index also ended with a loss of 19.7 points at 1,298.2.

In Frankfurt, share prices closed lower, although the Commerzbank index, calculated at noon, showed a rise of 19.3 points to 2,089.9.

Bundesbank resists pressure, Page 20

Diplomatic efforts raise hopes for Daniloff deal

BY STEWART FLEMING IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

THE DIPLOMATIC momentum for a resolution of the impasse over the arrest in Moscow of Mr Nicholas Daniloff, a US journalist, continued to build yesterday following the disclosure on Wednesday, by President Ronald Reagan that he had recieved a reply to his letter about the case from Mr Mikhail Gorbachev, the Soviet leader.

Officials in both Washington and Moscow expressed cautious optimism yesterday that the dispute – which has threatened the relationship between the two superpowers – might soon be resolved.

Mr Larry Speakes, the White House spokesman, said "we are working hard to secure Nick Daniloff's release – we are vigorously pursuing diplomatic channels."

Meanwhile, Mr Vladimir Petrovsky, the Soviet Deputy Foreign Minister, told a news conference in Moscow yesterday: "I believe a settlement of this case is possible."

While Mr Petrovsky continued to assert that Mr Daniloff was guilty of espionage, he said, "such incidents should not become an obstacle to the development of Soviet-US relations." He said that the next move was up to the US. "It all depends on them."

Although both sides appeared to be edging towards some form of diplomatic agreement, Mr Speakes denied yesterday that the US Administration had changed its policy of not negotiating a trade-off swap of Mr Daniloff for Mr Gennady Zakharov, the Soviet United Nations employee arrested in New York on spying charges.

After some uncertainty immediately after Mr Daniloff was arrested in Moscow on August 30, the US proposed releasing Mr Zakharov into the custody of Mr Yuri Dubinin, the Soviet Ambassador in Washington, provided Mr Daniloff was allowed to return to the US.

It now seems that Moscow and Washington are raising expectations that next week's meeting between Mr Shultz and his Soviet counterpart Mr Eduard Shevardnadze will not be endangered by the stand-off over Mr Daniloff's arrest.

Background, Page 3

Victory for Guinness board

BY CHARLES BATCHELOR IN LONDON

ONE OF the most dramatic and public struggles for power at the head of a British company reached a surprise anti-climax yesterday when Guinness, the international drinks concern, won overwhelming shareholder support for a management restructuring.

Mr Ernest Saunders, the chairman and chief executive of the company, which includes Bells, Dewar's, Johnnie Walker and Gordons among its international drinks brands, won overwhelming backing from shareholders at a packed special meeting in London.

Despite expectations that the vote would be close, the key resolution – to revise the Guinness board structure – was backed by 310m proxy votes with just 27m cast against. In addition Mr Saunders had a further 12m proxies to vote at his discretion.

The 600 or so shareholders crammed into the meeting in London also backed the resolution on a show of hands, and Mr Saunders refused to allow a poll on the strength of the proxies and the general feeling of the meeting.

Yesterday's victory ends eight gruelling months for the Guinness board which began when it launched an agreed £2.2bn ($3.25bn) takeover bid for Distillers in January to enable the Scottish drinks group to ward off a hostile approach from Argyll Group, the UK supermarkets chain.

Even after Guinness won control with an increased £2.5bn offer in April, its decision to revise plans to appoint Sir Thomas Risk, a governor of the Bank of Scotland, as chairman, in favour of giving Mr Saunders overall control, provoked further controversy.

The arguments centred on two main issues: the City of London's ability to impose its own self-regulation and ensure that companies adhered to promises made in takeover documents; and Scottish fears that control of yet another major company should slip away to London.

The fact that only 349m of Guinness's 830m votes were cast suggested that many institutions carried out their promise of abstaining from voting as a protest, though only six, representing 12m votes, formally recorded their abstention.

The promised barrage of criticism did not emerge at the 1½ hour meeting yesterday, however.

Opposition was reduced to a lone Scottish voice of dissent in the shape of Mr Graeme Knox, general manager investments, of the Scottish Amicable Life Assurance Society, who claimed the erstwhile shareholders of Distillers, and of Argyll, had been "cheated" and called Guinness's subsequent explanations "woefully inadequate and questionable." The increase in Mr Saunders' salary represented "a cynical and unwarranted reward," he added.

Mr Saunders responded that Guinness's promise to move its registered office to Scotland was not insignificant but the crucial issue was the fact that Distillers' prosperity depended on foreign sales. "It's no good moving administration and office furniture around," he added. "We have to get out into the market and persuade more Americans, Europeans, Africans and Asians to drink our whisky."

Though most of the shareholders were clearly backing Mr Saunders he faced some penetrating questions. How, he was asked, had such astute and experienced businessmen as the Guinness board formed such incorrect impressions

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UK pledges £600m to reduce acid rain emission

By Lucy Kellaway in London

MR Nicholas Ridley, the UK Environment Minister, yesterday announced a £600m ($894m) package aimed at reducing the harmful emissions from Britain's coal-fired power stations.

The announcement was made as Mrs Margaret Thatcher arrived in Norway for a tough series of talks with Mrs Gro Harlem Brundtland, Prime Minister. Norway has repeatedly blamed Britain for much of the "acid rain" which is damaging its forests and has been vigorously campaigning for a reduction in the amount of sulphur dioxide produced by power stations, which is a cause of acid rain.

The British Government's proposed measures which will affect three of Britain's 12 coal-fired power stations, and will reduce emissions of sulphur dioxide by 14 per cent by 1997, were received with little enthusiasm in Norway, where groups of demonstrators turned out to meet Mrs Thatcher yesterday.

The proposal falls well short of the 80 to 90 per cent cut in emissions that the Nordic Council Conference said last week was necessary to protect the worst affected parts of Scandinavia.

The project is likely to create some 2,500 to 3,000 jobs a year in Britain over the next 10 years, and will be paid for by the state owned Central Electricity Generating Board. The cost will eventually be passed to consumers, however, and British electricity prices could rise by about 1.5 per cent as a result.

The UK, which along with Italy is the largest producer of sulphur dioxide in Western Europe, has until now been strongly opposed to costly plans to reduce its emissions on the grounds that there was insufficient evidence linking them to damage to plants and fish. In March it overturned an EEC proposal to cut emissions by 60 per cent, and was alone among EEC members in refusing to sign a general commitment to a 30 per cent cut by 1993 compared with the 1980 level.

The Department of the Environment said yesterday that Britain has so far reduced its emissions by 22 per cent since 1980, and the new measures would take the total close to 30 per cent by 1993.

Lord Marshall, chairman of the Central Electricity Generating Board claimed yesterday that Britain contributes about 8.5 per cent of the annual acid rainfall in Norway and said "As far as the CEGB is concerned we accept that we must play a part – a proportional part – in tackling the problem."

Editorial comment, Page 18

Britain sets new date for BA sell-off

BY LYNTON MCLAIN AND PHILIP STEPHENS IN LONDON

THE UK Government is planning to go ahead with the privatisation of British Airways, which is expected to raise up to £1bn ($1.47bn), in the early weeks of 1987, Mr John Moore, the Transport Secretary said yesterday.

British Airways is the largest international airline in the world and carries more people over longer distances than any other carrier, as measured by passenger route-kilometres, a measure of an airline's operations. United of the US carries more passengers than British Airways, but over shorter distances.

The sale of BA will create the largest privately owned international airline in the world.

The decision follows the resolution of most of the outstanding issues which had been delaying the public offering of shares in the state airline originally scheduled for earlier this year.

The major outstanding issue was the need for agreement on the continuation of the Bermuda II agreement covering Anglo-US capacity on the North Atlantic, failing which the Government had feared that US airlines might dump capacity on these routes and swamp the UK airlines, including BA.

In the past 24 hours, the final round of talks in Washington on the Bermuda agreement finished with the signing of a "new mechanism" preserving the 60/40 US/UK shares of capacity on the routes.

The remaining issue relating to the Bermuda II agreement concern UK fears that US anti-trust legislation might be applied to the operations of UK airlines despite the existence of what the UK sees as a sacrosanct treaty putting these operations beyond the scope of domestic US laws.

However, Mr Moore said yesterday: "The major uncertainties caused by negotiations on the air service arrangements between the UK and the US are now resolved. We have negotiated with the US Government satisfactorily and more liberal arrangements for determining the frequencies to be operated by both countries. I am also satisfied that anti-trust issues need no longer delay the flotation."

Other problems which had delayed the sales were litigation in the US courts over the collapse of Laker Airways in 1982, and decisions by BA on the purchase of 16 of the latest Boeing 747-400 jumbo jets.

The Department of Transport said yesterday that all cases in the Laker Airways litigation in the US had been settled out of court, or dismissed by lower courts.

Final details of the £1.54bn order for jumbo jets, to be powered by Rolls-Royce engines, which had been under construction for several

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FT to launch new world stock index

BY CLIVE WOLMAN IN LONDON

THE LAUNCH in January of a new Financial Times index, which is designed to measure the performance of all the leading stock markets in the world, was announced yesterday.

The index, together with several sub-indices covering different countries, geographic regions and global industrial sectors, will be compiled jointly by the Financial Times, Goldman Sachs & Co, the US-based investment banking and brokerage firm, and Wood Mackenzie, the Edinburgh stockbrokers. The Faculty of Actuaries and Institute of Actuaries will also be involved in the construction and calculation of the indices.

The FT-Actuaries World Share Index, as the main index will be called, is to cover the shares of about 2,000 companies from 24 countries. It will be calculated daily after the close of the US stock markets.

"International investment managers are expected to be the main users of the new indices which are intended to provide a benchmark against which their investment performance can be judged.

This is the main function within the UK market of the FT-Actuaries All-Share index, which was established in 1962. But the World Share index will also serve as an indicator of the health of the world's capitalist economies.

The indices which have traditionally been used as indicators of the fluctuations of world stock markets are those established by the Geneva firm, Capital International Perspective.

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Dutch budget to be toughest for three years

BY LAURA RAUN IN AMSTERDAM

THE 1987 Dutch budget due to be officially unveiled next Tuesday, promises to be the severest in three years because of drastically reduced government revenues from natural gas.

Taxes will be raised for the first time since 1984 and government spending will be slashed again.

Mr Onno Ruding, the Dutch Finance Minister, is expected to announce an austerity package consisting of Fl 12bn (£2.7bn) in combined spending cuts and tax increases.

The tough new measures will contain the budget deficit to about 8 per cent of net national income, only fractionally above this year's level.

The broad outlines of Prime Minister Ruud Lubbers' policies over the past four years will continue: rolling back the public sector, cutting the budget deficit, and battling persistently high unemployment.

The Prime Minister had promised some easing in his retrenchment programme during his second term, which began in July, but the plunge in gas revenue has made that impossible next year.

Industry will be called on to shoulder more of the burden of balancing the budget after being spared in past years in the hope of fuelling economic growth.

Spending cuts are expected to amount to Fl 5.35bn, with the biggest slice—Fl 2.25bn—taken out of departmental budgets where cost overruns have occurred in recent years. Another Fl 1.2bn will be trimmed from social security benefits.

Some Fl 1.3bn will be saved in civil servants' salaries by reducing the number of public employees. Savings in the health care system will amount to Fl 600m.

On the revenue side, an extra Fl 6.25bn will come from higher taxes and from selling off some state holdings.

Companies will lose most of their tax deductions for inventory stocks and assets, yielding an additional Fl 1.8bn in revenue. The value added tax will be raised by 1 percentage point, to 20 per cent, providing a fresh Fl 2bn for the state treasury.

Disposal of a few wholly or partially-owned state companies will provide Fl 250m.

Increased excise taxes on fuels such as petrol, diesel and heating oil will raise Fl 1.5bn.

Total revenues next year probably will amount to about Fl 154bn, while total outlays will amount to about Fl 175bn.

The biggest problem is offsetting the plunge in gas revenue, which will drop by more than half to Fl 9bn.

Poland to free all political prisoners

By Christopher Bobinski in Warsaw

THE POLISH authorities are to free all the country's remaining political prisoners, including prominent Solidarity leaders such as Mr Zbigniew Bujak who was captured by the police on May 31 after four years in hiding.

The amnesty eases the way to improving relations with the West, which are crucial if the debt ridden economy is to see any chance of recovery. A visit Gen Wojciech Jaruzelski, the Polish leader, has long wanted to make to Italy and to see Pope John Paul II is now expected to go ahead.

Last weekend, the Polish bishops called for the release of all political detainees and urged the general liberalisation which would give the Solidarity free-trade union style opposition a legal role.

The move will surprise many who believed that the authorities would not go as far as releasing detained Solidarity leaders but restrict the amnesty to lesser-known figures. Mr Lech Walesa had even warned that a major trial was being prepared.

But the Government has evidently decided that the Solidarity leadership given the present political climate is less of a political problem at liberty – even as potential agitators – than as martyrs behind bars.

Also yesterday, security police called in more than 3,000 people suspected of being underground activists and warned them to stop their activities in a move apparently designed to demonstrate that the authorities are well aware of such behaviour.

News of the releases came early yesterday when, unusual radio programmes were interrupted to broadcast the information.

The Polish press agency has reported that Gen Czeslaw Kiszczak, the Interior Minister, has asked the prosecutor general to speed up the release of all detainees by September 15, under the terms of a semi-amnesty passed by Parliament in mid-July. Until now more than 100 detainees have been freed, and now another 225 will be released by Monday.

Charges excluded under the amnesty include acts of terror, sabotage and spying.

France in drive to stress N-plant safety

BY DAVID MARSH IN PARIS

FRANCE is stepping up a campaign to try to reassure public opinion in West Germany and Luxembourg about the safety of its contested nuclear power station at Cattenom on the Moselle.

The effort partly reflects the French Government's wishes not to increase the difficulties over nuclear power of Mr Helmut Kohl, the West German Chancellor, just before general elections in the Federal Republic in January.

Mr Marcel Boiteux, president of Electricité de France (EdF), the state electricity utility, said that EdF had decided to "intensify the dialogue with its neighbours" on the French border to bring home "the reality of the circumstances."

Local mayors and other political representatives from the German state of Saarland and from Luxembourg — which have been taking legal action to fight the start-up of Cattenom — would be invited to the power station site in the next few weeks.

The row over the Cattenom plant was one of the main topics in talks on Tuesday between Mr Kohl and Mr Jacques Chirac, the French Prime Minister.

The gesture from EdF, which accompanies growing worries in the French nuclear establishment about the build-up of nuclear power opposition in Europe, looks, however, likely to make little difference to hostile public opinion on France's eastern border.

Mr Helmut Kohl

Mr Jacques Chirac

A spokesman for the Environment Ministry of the Saar Government in Saarbruecken yesterday said it was likely to decide next week to continue legal action against the entry into service this autumn of the first 1,300 MW section of the Cattenom complex.

The administrative court in Strasbourg on Monday rejected law suits brought by the Saar Government and by a collection of local municipalities in West Germany and Luxembourg to try to block the connection of Cattenom to the national grid on November 11.

The court, however, admitted that the administrative procedures covering authorisation for the Cattenom complex had contained irregularities.

Mrs Corinne Lepage Jessua, the French lawyer defending the West German suit at the Strasbourg court, said the judgment was "exceptional."

EdF would be in an unlawful position if it started up the plant without first going through the lengthy process of correcting faults in the procedures, said Mrs Lepage Jessua, who has long experience of defending opponents to French nuclear plants.

The Saar Environment Ministry spokesman said visits to the Cattenom plant by local representatives would be unlikely to change strong regional feeling against the complex. This opposition came from all political parties, he said.

Plans by EdF to start a full-scale public relations campaign over Cattenom seem somewhat belated. One EdF official commented that the utility had traditionally followed a promotional policy over N-plants geared only to France.

Up to the Chernobyl accident in the Soviet Union, he commented, "we never thought that problems could come from the other side of the border."

France, with the largest nuclear power programme in Europe, has over the past decade benefited from a strong public consensus in favour of atomic energy.

However, French nuclear industrialists as well as top officials in the administration have, in private in the past few weeks, been voicing concern over opposition on France's borders.

This is combined with worries over the likely large over-capacity in the French nuclear network in the 1990s caused by the country's big construction programme.

One of France's most senior nuclear industrialists claimed privately yesterday that the new plants now coming on stream—a result of building decisions taken up to a decade ago—"will be serving no purpose" because of slackening demand for electricity.

Indicating that even traditionally pro-nuclear French public opinion has been affected by the Chernobyl accident, the latest poll commissioned by EdF to gauge sentiment indicates that 48 per cent of the French population is against nuclear power, the highest proportion since 1977.

Madrid gives into wage demands for next budget

BY DAVID WHITE IN MADRID

THE SPANISH Government has agreed to build an increased inflation target of 5 per cent into its budget for next year in order to meet demands by the General Workers' Union (UGT), the labour federation linked to the Socialist Party.

The revised figure, which affects the budget proposals scheduled to be presented to the Cabinet today, means that Spain has resigned itself for the time being to inflation well above the current levels among its main EEC partners.

The Government, which now expects this year's rate to edge up slightly from last year's 8 per cent, originally set a 1987 target for price and wage increases of 4 per cent.

However, it hopes that by securing the participation of the UGT—if not its Communist rival, the Workers' Commission—in a new wage moderation pact, inflation can be brought down to 3 per cent in 1988.

During preliminary talks between the Government, employers and unions, the UGT rejected the original target as a realistic basis for wage guidelines.

Including extra payment to increase purchasing power for the lower paid, civil service salaries are now scheduled to rise by an average 5.6 per cent.

Hungary casts new light on 1956 uprising

BY LESLIE COLITT IN BERLIN

THE Communist Party of Hungary is treating the 1956 uprising with greater candour than ever before as the 30th anniversary of the revolt against Stalinist rule approaches on October 23.

The uprising is officially still called a counter-revolution but the party has cast e new light on what led up to it. The frankness may be e result of criticism by Hungarian dissidents that the party is still keeping many secrets.

A current series of programmes on Budapest radio called Moments of Destiny is fascinating Hungarians with accounts of the npirisng. The accounts are being given by former top party officials.

Mr Antal Apro, who is still a member of the Central Committee, was introduced as a "durable politician" who had served nearly every Hungarian leader since 1953.

They included the Stalinist Mr Matyas Rakosi, the popular Mr Imre Nagy, who was Prime Minister during the uprising and was later executed, and Mr Janos Kadar, his successor who still heads the party.

Mr Apro noted that he supported Mr Nagy's first government from 1953 to 1955 and that its downfall was caused by "Rakosi's scheming."

But when the uprising took place, Mr Apro disapproved of the bloodshed and the "shift to the right." He joined Mr Kadar who was to restore order after Soviet tanks entered Budapest on November 4.

The next politician interviewed, Mr Bela Biszku, a former Politburo member, said "no one agreed," with the removal of Imre Nagy in 1955.

He and other party officials who opposed the nprising planned a "counter offensive" and were unaware of the "contacts" which Mr Kadar had with the Soviet ambassador and later Soviet leader, Mr Yuri Andropov.

Budapest to set up five 'commercial' banks

BY PATRICK BLUM IN VIENNA

HUNGARY is to accelerate the pace of its banking reforms with the establishment of five "commercial" banks to finance "profitable company development," MTI, the Hungarian news agency says.

The new banks will start operating on January 1. They will be able to compete for custom and issue shares "to raise capital from companies and co-operatives. They will act as "profit oriented entrepreneurs," the agency says.

The Hungarian banking system will be "comprehensively streamlined" and modernised from the beginning of next year as part of the country's economic reform process. The National Bank of Hungary will be limited to traditional central banking functions although it will also closely supervise the new institutions. "The issuing bank will direct and regulate the commercial banks through indirect methods."

Three of the five new commercial banks will be entirely new institutions and the status of two existing banks will be changed to allow them to operate as competing commercial banks.

The five banks are to be set up as joint stock corporations with their shareholdings eventually being split np between the State, which will retain a majority shareholding, and corporate shareholders from companies and co-operatives. The objective of the reforms is to improve the efficiency of the banking system.

Bankers in Vienna yesterday were unsure about the real impact of the changes.

As from January 1 the National Bank will concentrate on traditional issuing bank activity and strengthen its supervisory role over monetary policy. It will retain its foreign exchange monopoly and continue to act as the sole institution dealing with foreign debts, the agency says.

OBITUARY
Mr Panayoitis Kanellopoulos

MR Panayoitis Kanellopoulos, the veteran Greek politician and academic, who was Prime Minister of the Government toppled by the 1967 Colonels' coup, died in Athens yesterday aged 84, Andriana Ierodiaconou writes.

Mr Kanellopoulos abandoned an academic career for politics in 1935.

He served twice as Prime Minister of Greece, on both occasions for brief periods only. The first time was for 21 days in 1945, the second for 18 days in April 1967, when his government was overthrown by the military coup.

Four years earlier, in 1963, he had succeeded Mr Constantine Karamanlis, who had left Greece for Paris after losing general elections to centrist political forces, in the leadership of the conservative ERE party.

Mr Kanellopoulous was an active opponent of the military junta in 1967-74 and twice was placed under house arrest.

Moscow bank chief outlines trade strategy

THE SOVIET UNION is looking to put its trade relations with the West on e new footing and seeks co-operation in n wide range of business, according to the chairman of the Soviet state bank, Reuter reports from Moscow.

The official news agency Tass yesterday quoted comments by Viktor Dementsev made in talks with West German business leaders which opened on Wednesday in the southern Soviet city of Baku.

Tass said that Mr Dementsev had reviewed guidelines for the expansion of Soviet business ties in the context of e restructuring of Moscow's foreign economic relations.

"What I'm speaking about is the development of new forms of economic co-operation, including scientific and technical co-operation and co-production arrangements," Tass quoted the bank chairman as saying.

The Soviet Union agreed last June to study the prospect for joint ventures between Western and Soviet enterprises.

This departure from long-standing policy followed e steep fall in Soviet foreign exchange earnings, caused mainly by the collapse in oil prices, which made direct purchase of Western equipment more expensive for Moscow.

"The Soviet Union is interested in the further development of co-operation with Western partners on n long-term, stable and balanced basis, all of which fully apply to economic relations with West Germany," Tass quoted Mr Dementsev as saying.

Trade with West Germany, the Soviet Union's leading Western trading partner, had grown 70-fold over the past 30 years and West Germany now provided 25 per cent of Soviet imports of Western machinery and equipment.

Mr F. Wilhelm Christians, joint management board spokesman of West Germany'e Deutsche Bank, is co-chairing the session in Baku of an expert group on banking and finance of the Soviet-West German commission for economic, scientific and technological co-operation, Tass said.

It quoted Mr Christians as saying that West German banks and companies hoped to participate in large-scale joint projects with the Soviet Union. Economic re-structuring would allow more efficient use of Soviet natural resources, he added.

Deutsche Bank officials in Moscow were not immediately available for comment.

Mr Christians met Mr Mikhail Gorbachev, the Soviet leader, in April last year for talks on bilateral economic relations. Their meeting followed West German-Soviet negotiations in January 1985 on extending credits in Moscow.

Olivetti to market AT&T system

BY ALAN FRIEDMAN IN MILAN

OLIVETTI, the Italian office automation group, announced last night that it is shortly to begin production and exclusive distribution in Italy of American Telephone and Telegraph's System 75 telephone switching equipment. This marks the first joint move by AT & T and Olivetti to offer an AT & T Private Automated Branch Exchange (PABX), system on the European market.

The marketing of AT & T telephone switching systems in Europe has been expected since the US telecommunications group bought 25 per cent of Olivetti in 1983 and signed a joint venture agreement with the Ivrea-based company.

System 75, uses digital switching techniques and software to combine voice and data transmission in an integrated system and has been modified for the Italian market. But Olivetti said yesterday that it expected to introduce System 75 on other European markets.

Olivetti already sells two PABX systems designed for large company users – the ICS 4000, which it designed, and the ICS 6000, which it manufactures and sells under licence from Northern Telecom. The system 75 is aimed at medium-sized users.

Strasbourg call for anti-terror link-up

THE EUROPEAN parliament yesterday called on the governments of the 12 Common Market nations to set up a central anti-terrorist office and to strengthen extradition treaties, AP reports from Strasbourg.

The parliament appealed to Arab countries to "distance themselves unequivocally" from the terrorist attacks of recent days and to "deprive terrorist organisations" of logistical support.

The hijacking last Friday of a Pan Am jetliner in Karachi, the attack on a congregation at an Istanbul synagogue the following day and an explosion at the Paris city hall last Tuesday claimed nearly 50 lives.

Basque expelled

France yesterday expelled a suspected Spanish Basque militant, the eighth in less than two months, palice said, Reuter reports from Bayonne.

They said Ignacio Alberdi Urquia, a suspected member of the militant Anti-capitalist Autonomous Commandos (CCA), was handed over to Spanish police at the Hendaye border post.

Urquia, 28, was arested on August 12 in south-western France and sentenced to one month in jail on charges of violating a house arrest order.

Swedish prices

Lower petrol prices and mortgage interest rates were key factors behind a 0.1 per cent fall in Sweden's consumer price index in August, according to provisional figures by the Central Bureau of Statistics yesterday, Reuter reports from Stockholm.

French surplus

The French current account surplus rose to a seasonally-adjusted FFr 5.6bn (£560m) in July from a revised surplus of FFr 0.7bn in June, the Finance Ministry said, Reuter reports from Paris.

Yugoslav price rise

Meat prices in Yugoslavia went up 10 per cent yesterday. A kilo (2.2 lbs) of beef now costs Dinars 1,178, about £2, Reuter reports from Belgrade.

Average monthly pay in Yugoslavia works out at about $150 (£100).

Retail prices have risen 56 per cent this year

FINANCIAL TIMES

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FT writers present the views from Moscow and Washington of each other's spying allegations

Daniloff anxious to clear way for US-Soviet talks

BY PATRICK COCKBURN IN MOSCOW

Mr Nicholas Daniloff, the correspondent now under arrest on charges of espionage in Moscow is clearly concerned that a way should be found to release him from prison before Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, US Secretary of Sate meet in New York in a week.

The attempt to defuse the affair has its origin in a suggestion from Mr Daniloff, the correspondent of the magazine US News and World Report and one of the best analysts of superpower motives and actions among Moscow journalists and diplomats when he met his wife in Moscow's Lefortovo Prison last Tuesday.

He suggested that both he and Mr Genadi Zakharov, the Soviet physicist charged with spying in New York, be released on bail into the custody of their respective ambassadors in Washington and Moscow.

On Wednesday, Mr Daniloff's KGB security police interrogator said that the Soviet Government would go along with the idea.

Mr Nicholas Daniloff

The strength of US reaction to Mr Daniloff's arrest has clearly surprised the Soviet Union.

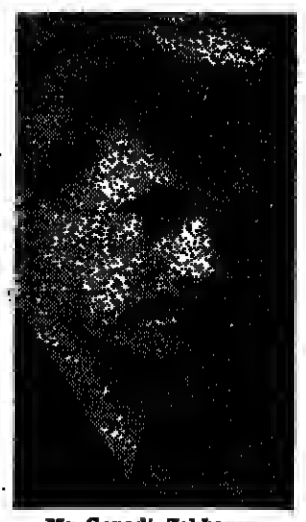
"They clearly didn't realise that if you personalise a foreign policy issue in America, it has far more impact than if it's dull old stuff about the balance of power," one diplomat in Moscow said.

The problem is that whila this reaction has led the Soviet Union to look for a compromise in the Daniloff affair, a sudden over-reaction leading to a collapse in US-Soviet relations might maka Moscow decide that there is no political advantage to be gained by releasing Mr Daniloff because there will be no summit anyhow.

The Kremlin might decide it was time to show Washington that it can still be tough as well as conciliatory and give Mr Daniloff a long sentence.

The crisis has developed to its present proportions because of Soviet calculations and miscalculations. Going by what spokesmen have said—and not said—the development of the crisis looks like this:

● Mr Zakharov's arrest on August 23 was seen by the KGB as entrapment, since the contact from whom he is accused of trying to buy jet-engine designs had apparently been



Mr Genadi Zakharov

working for the FBI from tha beginning.

Second, the timing of the arrest just before tha Shevardnadze-Shultz meeting was interpreted in Moscow as a test of strength.

● Tha KGB appears then to have decided to produce a mirror image of tha Zakharov case in Moscow. There cannot have been many candidates.

It needed to be somebody with no diplomatic status, important enough for the US to want back, and who had been long enough in the Soviet Union to have plenty of Soviet friends who could be used to entrap him.

Only one other American journalist apart from Mr Daniloff out of the 30 US correspondents in Moscow appears to fit this profile.

● On the day after Mr Daniloff's arrest on August 30 tha Soviet news agency Tass issued a statement affirming that he was guilty of espionage.

This was not carried by the press. Only a week after tha original arrest was the political line determined: Mr Daniloff was guilty but tha case not significant and the furore had all been manufactured by the US Government and media to conceal its rejection of Soviet peace initiatives.

The difficulty et the moment is that both Moscow and Washington want to wriggle out of a confrontation on this issue. They do not, however, want to do so publicly.

This desure not to be seen to be compromising is one reasoo why Mr Daniloff is in the bizarre position of acting as negotiator as well as a detainee.

Sitting in prison, interrogated four hours a day by a KGB colonel, Mr Daniloff can also see the broader problem as well as anybody else.

At the tima of tha expulsioo of 31 British diplomats, journalists and businessmen from Moscow last year in retaliation for the expulsion of a similar number of Soviet diplomats from London, Mr Daniloff repeatedly made the point that the new Soviet leadership undar Mr Mikhail Gorbachev, more assertive than their predecessors, are confident men who fell they are equal to anybody in the West.

Any denial, real or imaginary, of that equality, Mr Daniloff said, would lead to immediate retaliation.

Arrest highlights problems of improving relations with Moscow

BY STEWART FLEMING, US EDITOR IN WASHINGTON

ON THE face of it, the arrest on espionage charges of Mr Nicholas Daniloff is a striking exampla of how difficult it is to achieve an improvement in Western relations with the Soviet Union.

Just as the US and the Soviet Union were on the brink of a meeting (on September 19/20) of Foreign Ministers, which many believe is destined to lay tha foundations for another summit meeting between President Ronald Reagan and the Soviet leader Mr Mikhail Gorbachev, the Soviet secret police blunder in and put months of diplomatic manoevring at risk by arresting on "trumped up" charges an innocent American reporter.

The KGB's motive is to secure the release of a Soviet spy attached to the United Nations arrested in New York a week earlier and in effect to blackmail the US into swapping an innocent victim for a man who ought to be in an American jail.

This at least is tha self-serving description of the events surrounding the Daniloff case which the Reagan Adiministration has been presenting and which an indignant American media has been repeating.

For the most part—Wednesday's Washington Post was a rare exception—tha media have not looked too closely at the man at the other end of the bargain now being mooted which could resolve the crisis—the alleged Soviet spy, Mr Genadi Zazharov, who was indicted in New York on Tuesday.

It is clearly no accident that Mr Daniloff was arrested precisely because of the arrest several days earlier of Mr Zakharov.

On the contrary, the circumstances surrounding Mr Daniliff's arrest have evidently been designed by Soviet officials to be as near to a mirror image of the arrest of Mr Zakharov as possible.

As one experienced Soviet expert in Washington remarked privately earlier this week, the circumstances surrounding Mr Zakharov's arrest could well have raised in Soviet minds some of the same questions over Washington's motives as have been raised in Washington over Moscow's. Moreover, Moscow'a response to Mr Zakharov'a arrest, far from being clumsy, has been subtle.

According to the Post, Mr Zakharov, like Mr Daniloff, was seized almost immediately after he had cast an eye over compromising documents which had been planted on an unnamed Guyanan student from whom Mr Zakharov was said to have been purchasing unclassified computer data since 1983.

The information which the FBI planted on the Guyanan did, however, have a low-level classification.

The judicial treatment of Mr Zakharov was, according to his lawyer, unprecedented in that, in spite of a request from the Soviet Ambassador, he was not released into his custody.

These parallels have led some of Washington's Kremlinologists to pose precisely the same questions about US behaviour, as US officials and as the British Foreign Minister, Sir Geoffrey Howe, posed about Moscow'a actions.

Soma in Washington speculate that the decision to arrest Mr Zakharov could have been take nat quite a senior level and may have been designed to placata Administration right-wingers, based perhaps on the judgment that the Soviet Union, which some in Washington believe to be more interested in a summit than the US, would decide not to retaliate.

Whatever the motivations on the American sida, the Soviet Union had good reason to be suspicious of them. To have ignored the arrest of Mr Zakharov could easily hava been interpreted as a sign of weakness.

What is most striking about the US reaction to Mr Daniloff's arrest is just how firmly Mr George Shultz's State Department, which has been working hard for a second summit and for progress on arms control, has succeeded in setting US policy.

There has been a carefully modulated escalation of rhatoric about the importance for US/Soviet relations of releasing Mr Daniloff. But at the same time, the US has sought a formula through which both sides could extricate themselves from the Daniloff affair without loss of face.

Japan gets SDI warning

Japan's ambassador to Moscow was summoned to the Soviet Foreign Ministry yesterday and told that Tokyo'a participation in the US Star Wars project could harm Soviet-Japanese ties, the official news agency Tass reported, Reuter reports from Moscow.

A Japanese embassy spokesman said the Soviet Deputy Foreign Minister, Mr Mikhail Kapitsa, who oversees Asian affairs, had handed Ambassador Yasue Katori a statement, asking that it be conveyed to the Japanese Government.

The summons followed an announcement by the Japanese Cabinet on Tuesday that talks were under way with Washington on Tokyo's participation in the Strategic Defence Initiativa (SDI), or Star Wars, space anti-missila project.

"The Japanese Government's allusions to the defensive nature of research under SDI cannot be recognised as convincing," Tass quoted the Soviet statement as saying.

It repeated Soviet claims that the US project was "leading to destabilisation of the strategic situation" and said Japan's consent to join in was evidence of the countrys further involvement in US military-strategic plans.

"The Japanese Government bears responsibility for the possible dangerous consequences of such policy. This, of course, cannot but have a negative effect on Soviet-Japanese relations,' the statement said.

Soviet officials jailed for corruption

A FORMER Moscow trada chief has been sentenced to 15 years in prison on charges of bribe-taking and corruption after a trial lasting more than nine months, the trade union daily Trud reported yesterday, Reuter reports the Supreme Court of the Russian Fedaration had passed the sentenca against Mr Nikolai Tregubov recently.

Mr Tregubov was dismissed in August 1984 aftar running the city's trade directorate for more than 20 years. He was arrested on theft and bribery charges shortly afterwards.

Trud said Mr Tregubov's deputy, Mr A. A. Petrikov, was jailed for 12 years and five other former trade officials and 18 trade workers received lesser labour camp terms.

The specific charges against the men were not listed but ancther newspaper yesterday linked Mr Petrikov with Mr Yuri Sokolov, the director of Moscow's main food emporium who was executed in 1984.

Moskovskaya Pravda said Mr Petrikov had helped Mr Sokolov to obtain his post as the head of Gastronom Number One on Gorky Street in a very short time.

Mr Sokolov, arrested in April 1983, was found guilty of bribe-taking and speculation.

In recent months, the official press has disclosed a number of cases of bribery, favouritism and speculation in scarce goods in Moscow.

● A new radiological centre in the Ukraine will take over the long-term screening of peopla affected by the Chernobyl nuclear accident, Mr Anatoly Romanenko, Ukranian health minister, was quoted by Trud as saying yesterday.

Ha told the paper that tha centre would create a registry of data

Australian dollar up in spite of poor figures

By Richard Hubbard in Canberra

NEWS OF a large trade deficit, high unemployment and a downgrading of the country's credit rating caused the Australian dollar to strengthen and interest rates to fall yesterday.

The apparent contradiction was due to market fears of much worse results on the day. This was fed by the generally gloomy outlook which has characterised economic forecasts since the federal government's August budget.

Soon after local markets had absorbed the news that Moody's Investor Services had reclassified the Australian Government's credit rating from AAA to AA1, sentiment in financial markets changed.

The downgrading of the credit rating was widely expected. Its announcement was greeted with a measure of relief.

The agency's view, which focused on the externally created problems facing the Australian economy, sat well with the picture painted by the Government in its budget.

The federal treasurer, Mr Paul Keating, said the downgrading was unlikely to mean a big change to Australia's borrowing costs. He ruled out further adjustments to economic policy.

The monthly balance of payments figures revealed a current account deficit of only A$1,235m in August. It was expected to be higher.

The trade account revealed a steady increase in exports in particular in non-traditional areas such as manufactured goods. The import figures showed that despite the arrival of several large civilian aircraft and a weaker dollar, the overall level of imports was unchanged, indicating a decline in volume.

The balance of trade was A$416m in deficit for August compared with A$517m in July. The net transfers deficit dropped from A$693m in July to A$495m inspite of fears of rising interest payement on foreign debt.

The unemployment figures showed a drop in employment an da fall in the participation rate in the workforce. The jobless level remained at 8.3 per cent.

Neither President Zia nor Benazir Bhutto has convinced the people, reports John Elliott in Karachi

No end in sight to political dissent in Pakistan

PAKISTAN is about to face a long period of political agitation, almost certainly stretching until well into next year, as opposition parties including Miss Benazir Bhutto's Pakistan People's Party try to force the regime of President Zia Ul-Haq to call parliamentary elections before the due date of 1990.

Miss Bhutto has failed since she returned to the country in April from exile in London to force elections this year. Now, after her release this week from nearly a month in solitary confinement in a Karachi jail, she is likely to adopt a more cautious, pragmatic approach to campaigning, probably hoping to push the regime into a corner from which it cannot escape by the middle of next year.

The opposition movement was routed by the regime's security forces last month, when between 30 and 40 people were killed and several thousand arrested during demonstrations linked to independence day. That event pre-empted the opposition's plans for a major continuing campaign, possibly to include civil disobedience, starting on September 20. It is now likely that this campaign will be a much more low key affair.

Miss Bhutto says that the single most important thing she learned last month was "to keep the timing of our actions firmly in our own hands," and not to be shunted off course by the Zia regime. "Last month we were caught off guard," she admits. "Now we will regroup and keep the heat on."

But the events of the last month appear to be have jerked her out of the clouds of euphoria that almost inevitably surrounded her after the emotional welcome she received in April. Now, her supporters are saying she must work at building up her organisation to give herself a sound political base. Merely cashing in on her youth and charisma and on the memory of her late father, former President Zulfikar Ali Bhutto, who was ousted from power in 1977 and later executed, by the Zia regime, is not enough.

President Zia's rule has not been threatened with collapse by the events of the past month, but the hints of instability in the country are probably stronger than the President is prepared to risk. The US Government strongly disapproved of the security forces clampdown, a factor which is significant because the US Congress will next month be asked to approve a new $4bn five-year economic and defence aid package for Pakistan.

President Zia

Pakistani police arrested an Arabic-speaking man at Islamabad Airport in connection with the hijack last week of a Pan Am airliner, Reuter reports. The police are seeking another, police sources said.

The man told police he was an unemployed Palestinian refugee.

The sources said he flew between Islamabad, the capital city in the north of the country, and the Arabian Sea port of Karachi seven times in the days before the hijack.

At least 21 people were killed and more than 100 injured after four gunmen seized a Boeing 757 with 390 people on board last Friday and held it for 16 hours.

Miss Bhutto

By releasing Miss Bhutto and giving an amnesty to other political detainees, the Government is trying to restore the relative stability earlier this year when both it and Miss Bhutto's supporters were trying to avoid violent unrest.

Mr Mohammed Khan Junejo, the inexperienced but proud Prime Minister whose reputation has not been enhanced during the past month, also wanted to release Miss Bhutto so as to show goodwill and to demonstrate he was heading a democratic government. President Zia, the country's former martial law dictator, remains head of state and chief of army staff.

During the past month Pakistan's political lines of conflict have been slightly redrawn, with Mr Junejo probably the loser. This was marked by a bizarre event in Lahore a couple of weeks ago when Mr Ghulam Mustafa Khar, a former provincial Chief Minister and Governor who is widely suspected of having mounted an unsuccessful coup last year against President Zia, flew in from exile in London.

Facing a 14-year jail sentence following charges of corruption and misuse of power when he was in President Bhutto's Administration, Mr Khar was housed in a suite in Pakistan's most comfortable prison, where he later held a family reunion party.

The next day, a former leader of Miss Bhutto's party, Mr Ghulam Mustafa Jatoi, who had twice refused offers from President Zia to be Prime Minister during the period of martial law, launched a new national people's party. The newly-arrived Mr Khar is its likely secretary general.

Dr Jatoi's party is being seen as more than just a new addition to the country's generally weak and (apart from the PPP) leaderless opposition parties. The idea is being encouraged that he has significant family links with the army and is an alternative to Mr Junejo should President Zia and top army officers run out of patience with the present Prime Minister, or feel that something short of the re-introduction of martial law should be put in the path of Miss Bhutto.

Mr Khar is himself significant because he gives the new party potential strength in the key province of Punjab and, more deviously, because he could be wheeled into the public gaze by President Zia either in court or as a free man to remind the public of the excesses of the Bhutto régime.

Mr Jatoi's new party is both a potential irritant to Miss Bhutto and, more importantly, a way of helping President Zia to reassert his authority over Mr Junejo by parading a possible alternative Prime Minister. The President already appears to have made his point in the international arena.

Mr Junejo, with whom the President has had his differences, late last month developed a widely publicised sudden ear infection which, together with the political problems at home, was cited as the reason for President Zia replacing him at very short notice as Pakistan's representative at the Non-Aligned Conference in Harare. Mr Junejo also cancelled a trip to the UK as far ahead as next month.

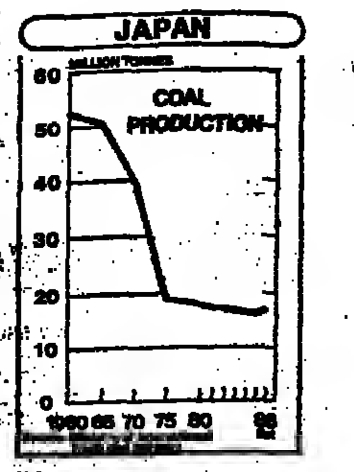
Neither Mr Junejo nor his ministers command much respect and are widely accused of allowing the economy to drift. Ministers have little prior experience and businessmen in particular complain that they have even less interest in industrial and economic matters than earlier administrations.

Ministers spend most of their time exercising patronage in their home towns and worrying about building up the ruling Pakistan Moslem League and resisting Miss Bhutto, rather than governing, businessmen say.

The economy survives in the short term because of substantial remittances from Pakistanis working abroad plus large amounts of foreign aid. Superficial wealth is boosted by a growing heroin trade. There is little basic industrial development, and President Zia's preoccupation with staying in power means that controversial economic decisions are avoided if they involve long-term commitments which might cause unrest at some future politically inopportune time.

President Zia is often praised abroad for staying in power so long, with relatively little unrest. But as his 10th anniversary approaches next year, criticism that he has done little to build the country's political and economic base because of his preoccupation with survival is likely to grow.

Miss Bhutto, on the other hand, has yet to persuade sufficient people in the country that she offers a better alternative.



Japan set to cut coal output by 40%

By Lisa Martineau in Tokyo

JAPAN'S heavily subsidised coal industry is bracing itself for a brutal shock. Within the next few weeks, the Government is expected to decide that eight of the 11 largest mines in the country must close, reducing output by 40 per cent to about 9m tonnes and throwing 14,000 miners out of work over the next seven years.

The problems of the Japanese coal industry, long a very lame duck, start at source: much of the coal comes from thin, deep seams which are expensive to mine. Over the past 20 years the industry has received Y1 trillion (£4.3bn) in subsidies.

This year the Government will pay out Y40bn, and it will still cost the consumer three times as much to purchase domestic coking coal at Y24,280 per ton, compared with the imported variety at Y8,500 per ton. As the yen continues to appreciate, so the gap continues to widen and Japan's coal users now import 80 per cent of their needs.

Until June, Japanese steelmakers, power companies and cement makers, were willing to toe the government line and pick up the remaining 20 per cent from domestic sources. But then the steel industry, the biggest buyer, and itself suffering declining sales and profits, decided it had had enough.

The steel companies unilaterally refused to pay more than the world price for domestic coal, an action which the mining companies believe has cost them two-thirds of their revenues. Closure plans are being prepared.

Japan's Ministry of Trade and Industry wants the rationalisation of the coal industry to proceed slowly, over seven years, to minimise the social cost. It is trying to convince the steel industry to go back to buying coal at the domestic price during this time, so far without success. Steel industry leaders say that if they remain within the "social contract," they risk themselves being in deficit by the end of the fiscal year.

If the steelmakers remain intractable, Miti will try to convince the power industry to pick up the slack and purchase more domestic steaming coal. But there are strong indications that the power companies are not prepared to take on this burden.

Miti would then be forced to reduce production by several million tons next year, leading to rapid mine closures and, the Government fears, "social friction."

The mine owners want additional government help with redundancy payments costing an average Y10bn per mine closed. In areas such as Hokkaido there are few alternative forms of employment.

In 1960, 600 coal mines operated in Japan, and 231,000 miners were employed to produce 52.6m tons.

India warned on trade balance

By K. K. Sharma in New Delhi

THE RESERVE Bank of India has asked the Government to take a fresh look at the balance of payments situation in the seventh five-year plan period (1985-90).

The bank thought "redoubled efforts at efficient import substitution" and vigorous implementation of policies for increasing exports would be called for.

Mrs King says visit a success

BY ANTHONY ROBINSON IN JOHANNESBURG

MRS CORETTA Scott-King put a brave face on 10 days of controversial exposure to the complex political realities of South Africa by declaring her visit a "success which exceeded expectations."

During her visit she turned down opportunities to meet President P. W. Botha and Chief Gatsha Buthelezi, leader of 6m Zulus.

At a Press conference before her return to the US, Mrs King, widow of slain US civil rights leader Dr Martin Luther King, said she had "not expected to come to South Africa and leave with answers and solutions but came as a peacemaker."

Mrs King side-stepped charges that she stood up Mr Botha because of pressure from anti-apartheid activists such as the Rev Allan Boesak and Mrs Winnie Mandela. She said she had cancelled the meeting because she had not had enough time to meet some of the other people whose views would have helped her to have more substantive talks with the president.

Eight thousand black miners at the Beatrix gold mine in the Orange Free State returned to work yesterday after a four-day strike, AP-DJ reports from Johannesburg. The mine's owner, General Mining Union Corp, said the strikers returned after "the resolution of a number of complaints put forward by workers."

Describing Mr Botha as "a man of God and a necessary and important figure in terms of any future reconciliation," Mrs King said she hoped to meet him on her next visit to South Africa when she would be more in tune "with a situation so fraught with complexities."

She said she would be taking back to the US the awareness that the South African scene was different to that of the US where black civil rights activists had been able to act within a framework of democracy and representative government.

Earlier in the day Mrs King went to Soweto where she visited the home of Mrs Mandela, wife of jailed African National Congress leader Mr Nelson Mandela. Emerging from her hour-long meeting she described her visit as "one of the greatest and most meaningful moments in my life."

● Fears that South Africa was starting on a recovery from two years of recession with an uncomfortably high level of inflation were confirmed by the latest production price index for July which rose to 19.9 per cent from 19.03 per cent in June.

Insurgency our affair, says Aquino

PRESIDENT Corazon Aquino of the Philippines yesterday warned the Administration of Mr Ronald Reagan against interfering with her Government's handling of the communist insurgency. She said it was a Filipino matter, reports Reuter.

She was reacting to statements attributed to unnamed officials in Washington, expressing concern that she was too soft on the communists.

Mrs Aquino said she would say the same thing if the issue was brought up by her with Mr Reagan next week.

Mrs Aquino's government has been trying to negotiate a peace settlement with various rebel groups, including the communists, as a chief objective of her six-month old government.

She leaves on Monday for a 10-day visit to the US. She will hold talks with Mr Reagan and address a joint session of Congress.

She will also hold talks with US bankers and officials of the International Monetary Fund and the World Bank. She said she would request more liberal terms on their loans to the Philippines.

The Philippines owes $26bn in foreign loans, more than half to commercial banks.

In her absence, Mrs Aquino's Government will be run for the second time by Mr Joker Arroyo, her executive secretary, and not Mr Salvador Laurel, the vice president, who has been relegated to performing ceremonial functions.

Pretoria is reassured on trade with Taiwan

BY BOB KING IN TAIPEI AND DAVID DODWELL IN HONG KONG

SOUTH AFRICAN Foreign Minister Pik Botha left Taiwan yesterday after apparently receiving assurances from the government there that it would not join the growing list of countries that have imposed or are threatening to impose economic sanctions against South Africa.

At a press conference Mr Botha cited a trade pact concluded last week in which Taiwan agreed to buy more South African goods. He also vowed to encourage more South African purchases from Taiwan. He lauded Taiwan, saying it was "itself under pressure and under threat."

Taiwan opposes South Africa's policy of apartheid but has made little public noise about its opposition because it fears losing diplomatic ties with one of only three nations considered significant among the 23 countries that still recognise Taipei's claim to represent all of China.

Mr Botha's Far Eastern tour, which included a frosty reception in Japan, was widely seen here as an attempt to ensure that Asian nations do not succumb to pressure from the west for economic sanctions.

Mr Botha arrived in Hong Kong with the minimum of fanfare and is expected to adopt a relatively low profile while in the territory. Apart from being welcomed at Kaitak Airport by a member of the protocol department, Mr Botha is not scheduled to meet any officials from the colonial government.

Aloof Banda drawn into S Africa sanctions debate

BY MICHAEL HOLMAN

PRESIDENT Hastings Banda of Malawi, who has remained aloof from the debate about sanctions against South Africa, was yesterday expected to be confronted by the issue when he hosted a meeting with three neighbouring heads of state.

President Banda was joined by President Kenneth Kaunda of Zambia, President Samora Machel of Mozambique, and Mr Robert Mugabe, the prime minister of Zimbabwe, for day-long talks at Dr Banda's Sanjika Palace, outside Blantyre.

One of the main concerns of southern African leaders contemplating sanctions against South Africa is the need for alternatives to the road and rail links to the Republic's ports, which carry much of the region's trade.

Among other matters, the Blantyre meeting was expected to review progress on the rehabilitation of the railways to, and ports of, Beira and Nacala.

A rehabilitation programme under the auspices of the Southern African Development Coordination Conference (SADCC), of which all four countries are members, is already under way but progress is slow.

The ports, which should serve Zambia, Zimbabwe and Malawi, are operating at a fraction of their capacity, partly because of lack of equipment but also as a result of security problems caused by the South African-backed Mozambique National Resistance (MNR).

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NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 8 of the Fiscal and Paying Agency Agreement, dated as of October 1, 1982, among General Electric Credit International N.V., General Electric Credit Corporation, as Guarantor, and The Chase Manhattan Bank (National Association), as Fiscal and Paying Agent, and paragraph 5(a) of the Terms and Conditions of the above-mentioned Notes (the "Notes"), all of the Notes will be redeemed on October 1, 1986 (the "Redemption Date") at the price of 101% of their principal amount (the "Redemption Price"). Interest due on October 1, 1986 on both bearer and registered Notes will be paid in the usual manner. Interest on the Notes shall cease to accrue from and after the Redemption Date. Payment of the Redemption Price will be made upon presentation and surrender of the Notes, together (in the case of bearer Notes) with all appurtenant coupons maturing subsequent to the Redemption Date, at any of the paying agencies listed below. In the event any such unmatured coupons fail to be presented, the amount of the missing coupons will be deducted from the Redemption Price.

The Chase Manhattan Bank Luxembourg, S.A., Coin Blvd. Royal and Grand Rue, CP 240, Luxembourg Ville, Luxembourg

The Chase Manhattan Bank, N.A., London Branch, Woolgate House, Coleman Street, London EC2P 2HD, England

Chase Manhattan Bank (Switzerland), 63 rue du Rhone, 1204 Geneva, Switzerland

Banque de Commerce, S.A., Main Office, 51/52 Avenue des Arts, B-1040 Brussels, Belgium

Coupons which shall have matured on or prior to the Redemption Date should be detached, presented and surrendered for payment in the usual manner.

Payment on any Note made within the United States, including by transfer to a United States dollar account maintained by the payee with a bank in the City of New York, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds (including premium and accrued interest) if the payee fails to provide the paying agent with an executed IRS Form W-8 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. No such backup withholding will be required in the case of presentation of bearer Notes for redemption with a paying agent outside of New York, New York, if payment is made outside the United States. Information reporting to the IRS will only be required upon such payment made outside the United States if made to U.S. persons in certain circumstances. Those U.S. holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty of U.S. $50. Accordingly, please provide any appropriate certification when presenting the Notes for payment.

GENERAL ELECTRIC CREDIT INTERNATIONAL N.V.

By: THE CHASE MANHATTAN BANK (National Association), as Fiscal and Paying Agent

Dated: August 29, 1986

Legal Notices

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF COLORADO

In re STORAGE TECHNOLOGY CORPORATION; and affiliated companies,

Chapter 11 Case No. 84-B-4577-J (Joint Administration), Case Nos. 84-B-4577-J, through 84-B-4581-J, inclusive and 85-B-0212-J) STORAGE TECHNOLOGY LEASING CORPORATION, et al., Debtors.

Chapter 11 Case No. 86-B-04222-J (Joint Administration), Case Nos. 86-B-04222-J through 86-B-04224-J

NOTICE OF HEARING TO CONSIDER DISCLOSURE STATEMENT AND OF LAST DAY TO FILE OBJECTIONS THERETO

TO: THE CREDITORS, EQUITY SECURITY HOLDERS, THE SECURITIES AND EXCHANGE COMMISSION, THE UNITED STATES TRUSTEE, THE CREDITORS' COMMITTEES APPOINTED HEREIN AND ALL OTHER PARTIES IN INTEREST:

Please take notice that on October 6, 1986 at 9:00 a.m., a hearing will be held before the Honourable Roland Brumbaugh, United States Bankruptcy Judge, in Courtroom 202, United States Courthouse, 1929 Stout Street, Denver, Colorado, to consider the proposed Disclosure Statement for the DEBTORS' JOINT PLAN OF REORGANISATION (hereinafter the "Disclosure Statement"). At the hearing, the Debtors will ask that the Court find that the Disclosure Statement contains information of a kind, and in sufficient detail, as far as is reasonably practical in light of the nature and history of the Debtors and the condition of the Debtors' books and records, that would enable a hypothetical reasonable investor, typical of holders of all classes of claims against and interests in each of the Debtors to make an informed judgment about the Debtors' proposed plan of reorganisation.

Except as required by Bankruptcy Rule 3017 and Rule 39(b) of the Local Rules of this Court, copies of the Disclosure Statement are not transmitted with this notice. After approval of the Disclosure Statement, copies of the approved Disclosure Statement will be sent to all parties in interest. A copy of the proposed Disclosure Statement is available for examination at the office of the Clerk of the United States Bankruptcy Court for the District of Colorado. The hearing may be continued from time to time without further notice. Additionally, the Disclosure Statement may be modified without further notice at, prior to or as a result of the hearing.

By orders of the Court dated September 2, 1986, and September 4, 1986, objection to the Disclosure Statement must be in writing and filed with the Court no later than September 30, 1986. Objections must also be served no later than September 30, 1986 on counsel for the Debtors, counsel for the creditors' committees appointed herein, the Securities and Exchange Commission and the United States Trustee at the addresses shown on the service list which is attached as Exhibit "A" hereto and by this reference incorporated herein. Objections not filed and served as set forth above may be deemed waived.

At the time of hearing, Debtors will also request that the Court fix a date for hearing on confirmation of the plan of reorganisation, fix the last date for creditors to accept or reject the plan and fix the last date for parties interested to file objections to the plan.

STUTMAN, TREISTER & GLATT PROFESSIONAL CORPORATION, BRUCE H. SPECTOR, BRUCE BENNETT, 3699 Wilshire Boulevard, Suite 900, Los Angeles, California 90010, Telephone: (213) 251-5100

and

HOLME ROBERTS & OWEN, W. DEAN SALTER, STEVE E. SNYDER, 1700 Broadway, Suite 1800, Denver, Colorado 80290, Telephone: (303) 861-7000

REVISED NOTICE OF REDEMPTION

To the Holders of

Exxon Finance N.V.

11⅝% Guaranteed Notes Due October 1, 1987

NOTICE IS HEREBY GIVEN to the holders of 11⅝% Guaranteed Notes Due October 1, 1987 (the "Notes") of Exxon Finance N.V. (the "Company") pursuant to Section 10.02 of the Indenture dated as of September 15, 1982 among the Company, Exxon Corporation, as Guarantor and Manufacturers Hanover Trust Company, Trustee, and the provisions of the Notes that the Company has exercised its option to redeem all of the outstanding Notes on October 1, 1986 (the "Redemption Date") at 100% of the principal amount thereof (the "Redemption Price") plus accrued interest to the Redemption Date. Interest on the Notes will cease to accrue on and after October 1, 1986.

The Redemption Price on the Registered Notes will be paid on or after October 1, 1986 upon surrender of the Notes at the offices of the Trustee listed below or at the offices of the Paying Agents listed below for paying the Coupon Notes. The Redemption Price on the Coupon Notes is at the option and cost of the holder listed below.

If by mail to: Manufacturers Hanover Trust Company, 130 John Street, New York, New York 10038

If by hand to: Manufacturers Hanover Trust Company, Corporate Trust Department, P.O. Box 2020—G.P.O. Station, New York, New York 10116

The interest due October 1, 1986 on the Registered Notes will be paid in the usual manner.

The Redemption Price on the Coupon Notes will be paid, subject to applicable laws and regulations, on or after October 1, 1986 upon presentation and surrender of the Notes with the April 1, 1987 and subsequent coupons attached only at the offices of the following Paying Agents:

Manufacturers Hanover Trust Company, 7 Princes Street, London EC2P 2LR, England

Banque Bruxelles Lambert, Avenue Marnix 24, B-1050 Brussels, Belgium

Manufacturers Hanover Trust Company, Stockerstrasse 33, Zurich, Switzerland

Manufacturers Hanover Trust Company, Bockenheimer Landstrasse 51-53, Frankfurt, West Germany

Manufacturers Hanover Bank Luxembourg S.A., 39 Boulevard du Prince Henri, Luxembourg

Banque Worms, 45 Boulevard Haussmann, 75427 Paris, Cedex 09, France

The October 1, 1986 coupon should be detached and presented for payment in the usual manner.

IMPORTANT TAX INFORMATION

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the Trustee or Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed W-9, exemption certificate or equivalent when presenting your securities.

EXXON FINANCE N.V.

Dated: August 29, 1986

Chilean army group condemns Carrasco murder

BY MARY HELEN SPOONER IN SANTIAGO

A DIVISION of the Chilean army has strongly condemned the murder of Mr Jose Carrasco, foreign editor of the left-wing magazine Analisis, whose bullet-ridden body was found hours after he was taken by gunmen from his home on Monday.

A communiqua signed by Lt Erich Kunstmann, public relations officer of the army's Fifth Division stationed in Punto Arenas on the southern tip of Chile, called on the "appropriate Government organisms to identify the murder or murderers as soon as posible so that justice may apply all the vigour of the law in this case."

The statement was issued as Chile entered the fifth day of the state of siege announced by Gen Augusto Pinochet following the attempt on his life by terrorists last Sunday.

The communique marked the first time in recent memory that a sector of the Chilean armed forces has publicly condemned a politically-motivated killing of one of the Pinochet regime's critics, and seemed certain to generate speculation in Santiago political circles over possible divisions within the country's armed forces.

Chile's Roman Catholic bishops have also released a statement urging that the state of siege should be applied with moderation and that those arrested under the measures "be returned as soon as possible to their families."

The authorities said that 44 people have been arrested under the state of siege. But they have not linked any of those detained to the assassination attempt.

The Chilean Human Rights Commission said two of its members had been arrested, and that security agents bearing arrest orders signed by the Interior Ministry had appeared at the homes of two other commission members.

The Government indicated it might reconsider an order expelling three French Catholic priests who have been detained.

Mr Alberto Cardemil, the Interior Undersecretary, told reporters that the priests' "situation is being analysed."

US cuts forecast for plant and equipment spending

BY NANCY DUNNE IN WASHINGTON

THE US Commerce Department yesterday cut its estimate of business spending for new plant and equipment to $379.6bn, a 2.5 per cent drop from last year's level, and the steepest cutback since a 7.9 per cent plunge during the depths of the last recession.

After a survey conducted in April and May, the department had forecast a 1.3 per cent reduction in capital spending compared to 1985, but imports, low capacity utilisation, declining profits and the effects of tax reform legislation are taking a toll.

Last year real capital spending rose 8.7 per cent, following an increase of 15.9 per cent in 1984.

The report, a sign of increased pessimism about the future of the US economy, showed widespread expectations of spending reduction. The manufacturing sector plans a 6.2 per cent decline in spending, a sign boding ill for employment.

Although spending for the services sector is forecast up slightly, by 0.8 per cent, the increase is less than the 2.1 per cent expected earlier.

The revisions were the sharpest for durable goods — items expected to last three or more years — for which the department found a 6.9 per cent decline. The largest drop was in machinery, excluding electrical (16.9 per cent). Other declines are planned in motor vehicles (12.4 per cent), blast furnaces and steel works (10.5 per cent), stone, clay and glass (6.8 per cent and electrical machinery (6.3 per cent).

Brazil gives way over losses from price freeze

By Ivo Dawnay in Brasilia

THE BRAZILIAN Government has for the first time given way to pressure from industry to accommodate imbalances brought about by its price freeze introduced last February.

After months of lobbying by the tobacco industry, the government conceded that the overnight position of the freeze built in unacceptable losses on cigarette sales. Instead of authorising a price increase that could trigger other claims, the Government has lowered the taxes payable by cigarette companies by 4.65 per cent.

Coming in the wake of the national anti-smoking drive, endorsed by President Jose Sarney, the move is likely to raise eyebrows among health agencies. However its refusal to allow a price rise means that the government can at least argue that it is doggedly holding the line on prices.

The authorities also agreed to remove all taxation from bottles and containers used by the pharmaceutical industry, which also suffered built-in loss-making prices.

Before the economic adjustment in February, companies regularly raised prices at short intervals to compensate for inflation of up to 500 per cent. Several sectors were caught at the loss-making phase when the freeze was imposed.

The tobacco industry says the concession will reduce losses on cigarettes from 95 per cent of their cost of manufacture to about 53 per cent. A definitive solution would have to be agreed in December, an industry executive said.

Several tobacco companies have reduced their workforces and cut advertising budgets.

● Thousands of Brazilian bank workers, demanding higher pay, began a nationwide strike yesterday that could tie up millions of dollars' worth of commercial and financial transactions, AP reports from Sao Paulo.

Bank workers' union officials said the extent of the walkout was not immediately known.

Bank workers want a 47.5 per cent pay increase.

Canute James reports on a military regime facing severe problems

Rebels try to destabilise Surinam

THE GROWING economic difficulties being faced by the Government of Suriname, the former Dutch colony in South America, are being compounded by the actions of a new rebel group which is threatening the six-yer-old administration of Commander Desi Bouterse.

The exploits of the rebel group are thought likely to complicate government moves towards a return to civilian rule early next year. The moves are part of efforts by the Administration to mollify foreign donors and ease pressure on the weak economy.

Commander Bouterse has been the effective ruler since the army staged a coup in 1980, but recently formed a new Cabinet which includes representatives of the private sector, the trade unions, three leading political parties and the army. A civilian Prime Minister, Mr Pretapnarain Radhakishun, was named.

Mr Bouterse retains overall control however in a country which links with the Netherlands and the US.

The rebels, led by Mr Ronnie Brunswijk, a colourful 25-year-old former army corporal, have been attacking military installations with an ease which sugegsts that they are well organised, armed and financed. Efforts by the army to capture Mr Brunswijk have been frustrated by his ability to disappear, phantom-like, into the Surinam jungle and across the border to French Guyana.

SURINAM'S ARMY has destroyed a rebel base camp in the jungle along the Marowijne River during fierce fighting which left casualties on both sides, according to the state's information service, AP reports from Paramaribo.

The report quoted a soldier who had been taken prisoner and later liberated by an army offensive as saying that three rebels were killed and two wounded in the battle. One soldier was missing in action.

Last week the group attacked a Surinamese military border post at Albina, causing panic in the capital, Paramaribo. Described by Commander Bouterse as having been the work of "a large force," the attack was one of a series which started two months ago. A week earlier the rebels killed four soldiers in another foray and took three hostage, adding to the 12 hostages they already have.

The Government epparently believes that Mr Brunswijk's group is the culmination of years of planning by disenchanted Surinamese exiles in the Netherlands and the US.

Mr Brunswijk is believed to finance his operations from the fruits of bank robberies in Suriname and French Guyana, but government officials say he has financial and material support from abroad.

They claim that one exile helping Mr Brunswijk is Mr Andre Haakmat, a former Suriname Foreign Minister who is now living in the Netherlands. Mr Brunswijk is said to travel frequently to Amsterdam and Paris from French Guyana to meet exiled Surinamese politicians eager to topple Commander Bouterse.

Mr Brunswick has gained the status of folk hero in Surinam, a country of 400,000 people which has been in severe economic difficulty since the Dutch withdrew economic support in 1982 after the army murdered 22 Government opponents.

The economy has never recovered from this loss of about $100m per year and attempts by the Bonterse Administration to cultivate relations with Washington, where he is considered a socialist, have not yet borne fruit.

The country, which depends on bauxite, timber, rice and fishing, is faced with e fiscal budget deficit of $111m and its foreign reserves have been exhausted. A parallel currency market operates at a rate which represents a likely 75 per cent devaluation of the Surinamese guilder.

Government hopes for economic benefits from the recent moves towards more democratic rule include increased foreign investment in the bauxite industry, owned and operated by subsidiaries of the Aluminium Company of America and Royal Dutch Shell.

Surinam has recently signed economic agreements with countries such as Brazil, Czechoslovakia and China and Mr Wim De Miranda, the Foreign Minister recently said his country wanted much better relations with the Netherlands.

But while Paramaribo was putting in a request for technical assistanee from the US on several projects, Commander Bouterse was visiting Col Muammer Gadaffi of Libya, also seeking economic help.

Jamaica rejects IMF call for devaluation

BY CANUTE JAMES IN KINGSTON AND FRANK GRAY IN LONDON

MR EDWARD SEAGA, Jamaica's Prime Minister and Finance Minister, has rejected a requirement from the International Monetary Fund for a 10 per cent devaluation of the Jamaican dollar as a condition for a new package of credits.

Mr Seaga said talks with the fund were effectively conclnded five weeks ago, except for the IMF's insistence on a devaluation which would take the exchange rate of the Jamaican dollar to 6.05 to the US doller.

Jamaica proposed a rebate scheme for manufactured exports to the US, Mr Seaga said, end this would effectively deal with the Fund's reasons for urging a devaluation. The Prime Minister said he expected talks in Washington to be concluded in a fortnight, but repeated that his administration had a "contingency plan" which it would implement if there was no agreement with the IMF.

Mr Seaga had earlier said he had deliberately built up arrears in payments to the IMF to strengthen his hand in the negotiations. Bankers in Jamaica said yesterday these arresrs now totalled $8m (£5.39m).

Mr Hugh Shearer, the Deputy Prime Minister, said in London yesterday thst the IMF devaluation call was unrealistic and intolerable, and did not take account of the edequate competitiveness of the Jamaican dollar, now pegged to J$5.50 against the dollar.

He said since Mr Seaga came to power in 1980, the Jamaican dollar had been devalued several times, beginning at its initial exchange rate of J$1.78 against the dollar.

"We have told the IMF, 'No more of the same'," he told a press conference in London where he stopped over en ronte to Jamaica from the Non-Aligned Conference in Harare last week.

A devaluation would further depress an economy where unemployment is well over 20 per cent. "It is our perception that we must get on to a path of growth, and we are asking the IMF to change its mind."

One of the government options is the introduction of a rebete scheme for exporters in which the Government would refund export duties on raw materials end the import content of packaging. Such a move would put Jamaican exporters on a par with producers in the US.

Edward Seaga; saying no

Cuba to free 100 political prisoners

THE US Government says that about 100 long-term political prisoners in Cuba are to be freed and will arrive in the US with their families next week, Reuter reports from Washington. The exact time had not been decided, the State Department said.

Tho Reagan odministration announced last month it was stiffening its long-standing US economic embargo against Cuba.

Tho administration said it would continue to seek arrangements for the release of long-term political prisoners in Cuba.

It is understood that some of the prisoners have been in prison in Cuba since before the Castro Revolution of 1959.

● About 60 Cubans being bold in a US Government detention centre have begun a hunger striko to draw attention to their demand that they be released or returned to Cuba, AP reports from New York.

The protest began on Monday and involves most of the 75 Cuban prisoner's at the detention centre, said an official with the Immigration and Naturalisation Service.

The prisoners, who came to the US during the massive boetlift from Cuba in 1980, have all served time in prison for crimes committed since their entry into the US.

Ordinarily, they would be deported upon their release from prison, but Cuba will not accept them.

Delay sought for Virgin Islands election

A VOTERS' group in the British Virgin Islands is seeking a month's delay in general elections scheduled for September 30 and is seeking support from the British Government for its request, AP reports.

The Movement to Enable All Eligible Islandors to Vote said the current voters' list was compiled in 1983 and at least 623 eligiblo voters were not on it.

The group's appeal to the Foreign Office was handed to the Governor, Mr David Robert Barwick, for forwarding to Sir Geoffrey Howe, the Foreign Secretary.

WORLD TRADE NEWS

US rice growers seek more of Japanese market

BY NANCY DUNNE IN WASHINGTON AND CHRISTIAN TYLER IN LONDON

SUBSIDISED rice growers in the US have begun a campaign to break into Japan's protected domestic market virtually on the eve of world trade talks in which agricultural import barriers and export subsidies will be a dominating topic.

The US Rice Millers' Association said it was looking for "a dramatic improvement in US sales of rice to Japan within a short period."

It has filed a complaint with the US Trade Representative's Office, asking President Reagan to impose retaliatory tariffs or quotas on imports from Japan if better access is not granted.

The association of farmers, millers and exporters said that last year Japan permitted the import of less than 0.2 per cent of domestic consumption of rice and claimed the domestic price was 10 times the world price.

If the Japanese market was open, US exports would increase by 2.45m tonnes worth $1.6bn, the association said.

The US persuaded Japan recently to increase its import quotas of American beef and citrus, a move that led to protests from Australia and others claiming that their access had been reduced. A similar protest can be expected from Asian rice producers like Thailand if the administration wins bilateral access on behalf of American rice growers.

Japan has defended its protection of its rice farmers on strategic grounds. The Government is under pressure from the politically-powerful agriculture lobby not to open the doors to cheaper foreign supplies.

Nevertheless, Premier Nakasone has given enthusiastic support for a new world trade negotiating round, due to be launched in Uruguay next week by the 92 members of the General Agreement on Tariffs and Trade.

That implies a commitment to open Japan's agricultural market as part of a world-wide negotiation to curb domestic farm support programmes and export subsidies.

The 20,000 US rice growers are one of the most subsidised farm groups. They enjoy government support in return for keeping 35 per cent of their acreage out of production. Marketing loans enable exporters to recoup the difference between the US and world prices for their crop.

This year, government support is expected to cost about $1bn, twice as much as in past years. The cost of US production is $7.20 per cwt, more than than twice the world price.

A Department of Agriculture analyst said yesterday that without government subsidies no rice would be produced in the US. But he estimated the cost of Japanese production at about $100 a cwt.

Mr J. Stephen Gabbert, executive vice-president of the millers' association, said US rice exports had stagnated for four years. But, he added, neither the administration nor Congress wanted to "preserve rice as a sanctuary, immune from the normal rules that govern international commerce."

Mr Bart Fisher, a lawyer representing the association, said: "Japan cannot have it both ways. Why should America permit Japan to freely import its automobiles, television sets and VCRs when Japan will not let us sell rice?"

Brussels firm on farm trade

BY QUENTIN PEEL IN BRUSSELS

THE European Community is strongly opposed to any attempt to single out agricultural trade for particularly urgent treatment in the proposed new round of international trade negotiations supposed to be launched in Punta del Este next week.

Mr Willy de Clercq, the EEC Trade Commissioner, said on the eve of his departure yesterday that the Community was willing to include all forms of farm subsidies inthe talks—but not to put special emphasis on export subsidies as paid by the EEC.

At the same time, the inclusion of trade in services is a "sine qua non" of any new round for further trade liberalisation in the General Agreement on Tariffs and Trade (Gatt), he said.

Mr De Clercq would not be drawn on any ideas the Community might have to persuade developing countries to drop their fears about opening up their markets to services provided by the developed countries.

He said the trade ministers of the 92 contracting countries in Gatt were "condemned to succeed" in the talks next week, because the consequences of failure were too serious.

"Failure at Punta del Este would mean the slow death of Gatt, and bring the greatest possible disorder in international relations," he said. "The Community is going to Punta del Este very much determined that the meeting be a success."

He said it was essential that there should be "as little ambiguity as possible" in the agenda to be set for a new round of trade negotiations, which could be expected to last for four or five years.

Mr De Clercq defended the EEC position on agriculture, which meant the 12 had refused to endorse the Swiss-Colombian text for the agenda of the new round. The member states (with France very much in the vanguard) were determined not to have farm export subsidies singled out for special treatment.

All forms of farm subsidy should be included, he said, such as the deficiency payments used in the US, which had e major effect on the international market.

He said later that the Community was not prepared to have a "fast track" on agriculture as favoured by Washington. "That we don't agree."

Officials from the Commission and the member states will meet in Punta del Este on Sunday in a final effort to agree on how far to go on agriculture.

Greeks reject UK cement plea

By Andriana Ierodiaconou in Athens

GREEK CEMENT producers, backed by the Government, have rejected a request to curtail cement exports to the UK. They said claims that these exports could lead to 3,000 job losses in the British cement and coal industries were greatly exaggerated.

Britain, as well as calling on Greece to suspend deliveries, has complained formally to the European Commission that cheap Greek cement exports to the EEC could cause serious job losses.

It has asked the Greek Government to end an 18 per cent subsidy on these exports. Greece subsidises all these exports under a special agreement with the Commission, which is due to expire with the introduction of value added tax (VAT) on January 1 next year.

Greek Government officials, who also took the view that the British case was overstated, said yesterday that the Commission had not raised the cement issue with Athens.

At the same time they confirmed that the Greek Government was seeking a three-year extension of the export subsidy regime in negotiations with Brussels.

The Greek position is that the Government is not subsidising exporters, but compensating them for an assortment of indirect taxes, not all of which will be replaced by VAT.

Heracles and Titan, the two top Greek cement producers, said that they planned to export between 300,000 tonnes and 500,000 tonnes of cement a year to the UK, representing 3 per cent to 4 per cent of the 13m tonne annual British market.

Suzuki and Maruti plan car for Indian market

BY K K SHARMA IN NEW DELHI

SUZUKI Motors of Japan and Maruti Udyog, its Indian collaborator, plan to introduce a new 1000 cc car to the Indian market in 1989. The car, which will not be made in Japan, could be exported from India to other third world countries.

The prototype was examined by Mr N. D. Tewari, India's minister of industry, during a recent visit to Japan.

The project has still to obtain Indian Government approval, which could depend on the amount of foreign exchange needed to launch the new vehicle. New Delhi feels that too much hard currency has already been used to modernise the country's automobile industry.

Maruti Udyog, which is state-owned, markets an 800 cc car in India based partly on imported components from Suzuki and those it makes at its Gurgaon plant in Haryana state.

The small car is popular in India and Maruti Dyog has substanital edvance orders to enable it to reach its capacity of 100,000 cars a year.

Maruti and Suzuki will jointly sponsor a market survey to determine whether a larger model will be suitable for India. The new car would be in direct competition with models being made by Premier Automobiles of Bombay, in collaboration with Fiat, and Hindusthan Motors of Calcutta, which is collaborating with Vauxhall and Nissan.

There are proposals to make other models in India, including collaboration between Tata of Bombay and Honda of Japan and between Escorts of New Delhi and Citroen of France. No decision on these will be taken until the Government finalises its new automobile policy, which is said to be almost ready.

Plans for the new models were made after the Government allowed existing manufacturers of trucks and commercial vehicles to make cars, but these have been frozen until the Government can decide whether the Indian market is big enough for so many new cars.

Philips in disc venture

BY LAURA RAUN IN AMSTERDAM

PHILIPS and Du Pont Optical, the optical-media joint venture, plans to invest FFr 250m (£25m) to convert a Polygram record and cassette factory in Louviers, France, into a compact disc plant.

The Dutch-American joint venture is seeking to fill the soaring demand for compact discs for audio players as well as for data storage media end computer peripherals. A shortage of the discs has boosted prices and the venture expects the world market to jump to $4bn by 1990.

The Louviers plant will have a capacity of 30m discs a year, with manufacturing beginning in the first half of 1987.

The factory is currently under the management of Polygram, the music publishing subsidiary of Philips, and ownership will be shifted to the joint venture.

Philips, the Dutch electronics group, and Du Pont, the US chemicals company, established the venture in 1985 with the aim of manufacturing optical discs for audio players, computer-linked storage systems and video players.

Argentina in oil search deal

BY TIM COONE IN BUENOS AIRES

ARGENTINA'S oil exploration plans received a fillip this week with the signing of an offshore exploration contract between the Government and a foreign consortium led by Exxon of the US.

The risk contract is the first to be signed under the much-trumpeted Houston Plan. The plan was announced by President Alfonsin in Texas in March last year, and Argentina hopes that it will attract foreign oil company participation in oil exploration and production.

The rate of discovery of reserves has fallen to half the annual production rate of 165m barrels.

The subsequent depression in the world oil market led to a disappointing response to the first licensing round for 32 onshore and offshore blocks held at the beginning of 1986.

Disagreements over the terms of the exploration contracts have also delayed signing until this week.

The three offshore blocks, known as the Rawson Marine Basin, which will be explored by the Exxon consortium under the new contract, cover an area of 39,802 sq km. A total of 9,900 km of seismic testing will be carried out and one exploratory well will be sunk during the first three years of the contract, at a cost of $15.4m. Weter depths in the basin range from 50m to over 2,000m.

If oil is discovered in commercial quantities YPF, the Argentine state oil company, will have the option to participate in the development of the field while the consortium will be paid 80 per cent of the international price for oil it extracts, of which 70 per cent will be hard currency and 30 per cent in local currency.

The Government has thus removed the principal obstacle to agreement, which was oil company opposition to a Government proposal to pay for oil in crude and or oil products, at YPF's discretion, in the event of a foreign exchange shortage.

The new contract is expected to pioneer the way for further foreign oil company interest in a second licensing round due to close at the end of October.

A total of 165 blocks, 15 of them offshore, covering most of Argentina's unexplored sedimentary basins, will be offered on risk contracts in five licensing rounds under the Houston plan.

Mr Baldrige: Promised his "personal attention"

US to act over chip agreement problems

By Louise Kehoe in San Francisco

THE US Government will give urgent attention to complaints that the recently signed US-Japanese trade agreement on semiconductors is creating serious problems for US electronics manufacturers, industry officials have been assured at meetings in Washington.

Mr Malcolm Baldrige, US Commerce Secretary, promised earlier this week to give issues raised by the industry executives his "personal attention," said American Electronics Association senior vice president Ralph Thompson.

The computer and electronics equipment manufacturers, who are major buyers of semiconductor chips, told US officials that "fair market value" prices imposed on Japanese-made memory chips by the commerce department under the terms of the trade agreement were too high. Prices of some chips have increased by between 100 and 300 per cent over the past month, they said.

Fair market values, which are scheduled to be adjusted quarterly beginning on October 16, are expected to drop significantly when the Commerce Department obtains more complete and up-to-date data from Japanese suppliers, said Dr Thomson. Preliminary fair market values will be issued on September 20 and the implementation of the new price levels might be brought forward, he indicated.

"We in the electronics industry are going to find out how the US farmers feel"

"The urgency of our problem is well accepted and understood by the Government," said the official. Several members of the American Electronics Association, which represents a broad range of US electronics companies, have said that their businesses are threatened by the price increases.

Industry executives also raised concerns that there was a growing price differential between the US and Japan on several types of chips. According to US buyers, chip prices in Japan are falling, while in the US prices have risen dramatically. Memory chips currently selling for between $5 and $8 in the US are available for as little as $2 in Japan, they said.

US computer and electronics manufacturers fear that Japanese competitors will gain a major cost advantage and that US manufacturers will be forced to move their operations offshore to find cheaper chip supplies.

"The job loss potential is now well understood in Washington," said Dr Thomson. The issues raised by the industry will be the subject of consultations between the US and Japanese Governments, he added.

Despite the apparent success of the Washington meetings, electronics industry executives continued to voice anger and scepticism about the trade agreement. Semiconductor industry leaders, however, poured praise upon the pact, which is designed to provide protection from alleged Japanese chip dumping and to open the Japanese market to US chip makers.

The agreement "will not help the US semiconductor industry and is likely significantly to hurt the rest of the electronics industry," said Mr Paul Ely, president of Convergent Technologies, a Silicon valley computer manufacturer and a former senior executive of Hewlett-Packard.

"We in the electronics industry are going to find out how the (US) farmers feel," he warned. US chip makers would increasingly see their customers move offshore to circumvent the effects of the trade agreement, said Mr Ely.

"The agreement will provide Japanese chip makers with a windfall profit, giving them a competitive advantage."

The US Government was trying to impose a discipline on the semiconductor market that has never been practised by US manufacturers. The so-called "fair" prices imposed by the Commerce Department were in fact "false" prices, he claimed.

Bowater sells paper plants in £38m buy-out

BY TONY JACKSON

BOWATER Industries of the UK has sold its paper-making and merchanting interests to a management buy-out team for £38m. The new company is Britain's biggest paper maker, with output of 480,000 tonnes per year.

The management team of more than 70 executives, led by Mr Tom Wilding, former head of Bowater's UK paper business, will own 20 per cent of the equity. The majority shareholders will be the interlinked Electra and Globe investment trusts of the UK. The company's bankers, Scandinavian Bank, will hold a stake of less than 10 per cent.

Bowater, once predominantly a paper company, has been withdrawing from the industry since the demerger of its large US paper-making business two years ago. In June this year it sold its 50 per cent share in Bowater Scott – makers of Andrex tissues – to its US partner, Scott Paper, for £80m.

The new company has mills at Aberdeen and at Kemsley and Sittingbourne in Kent, and makes a wide range of products from coated printing paper and copier paper to corrugated case for the packaging industry. In 1985 it made trading profits of £1.4m on sales of £154m. Book value of the assets was £35.8m.

Mr Wilding said the low level of profits was due to a heavy spending programme over the past five years, which has included a £15m investment on the rebuild of a machine at the Kemsley mill and the cost of reducing the workforce from 6,000 to 2,500.

"Bowater has been putting money into the business," he said. "It has been a question of turning the UK's biggest paper maker from a newsprint company to a producer of a wide range of papers. That process is now nearly finished."

Bowater said it aimed to expand its packaging business, and its builders' merchant and other service activities. Its only paper activities now consist of a pulp mill in Sweden – which the new company has an option to buy – and its paper interests in Australia.

Mr Wilding said: "This is a natural break which had to happen some time. One reason Bowater is not enamoured with the paper market is the large amounts they've put into this business, and the even larger amounts they put into Bowater Scott and the US business in the past.

Chloride brings in new chief executive

By John Griffiths

A 43-year-old American banker is to be the new chief executive of the convalescent Chloride batteries group. Mr Ray Horrocks, formerly chief executive of BL Cars (now Rover Group) is also to join the board, but in a non-executive capacity.

Chlorides' new chief executive is Mr Kent Price, who until recently was senior vice-president in charge of Citicorps businesses in the UK.

He will replace Sir Michael Edwardes, who will continue as non-executive chairman, although the former BL chairman indicated that he will now be considering outside offers.

Sir Michael took over the chief executives' role temporarily last December, when the incumbent, Mr Ken Hodgson, resigned in the wake of disappointing interim results.

Since then, he has put Chloride through a comprehensive restructuring. It still achieved only a £500,000 pre-tax profit in the year to March, but this was after incurring more than £8.1m in redundancy and reorganisation costs. Sir Michael said yesterday the balance sheet was now sound.

Tebbit denies Tory reshuffle aims to boost right-wing

BY PETER RIDDELL, POLITICAL EDITOR

IN THE FACE of allegations that this week's ministerial reshuffle by the Prime Minister had strengthened the Tory right, Mr Norman Tebbit, the party chairman, yesterday denied that the promotions had been made on a left-wing, right-wing basis. Instead, he said, they had been made on capacity and effectiveness.

More than 30 names were involved in Wednesday's reshuffle, all involving posts outside the Cabinet.

Mr Tebbit said that Mr Peter Morrison had been introduced as an additional deputy party chairman to ensure that the party machine was ready for a general election: (Mrs Margaret Thatcher, the Prime Minister, must call an election by the summer of 1988 at the latest.) Mr Morrison's appointment, Mr Tebbit said, would also give him more time to think.

Mrs Edwina Currie, the flamboyant new junior Health Minister, yesterday continued to attract the main attention. During a hectic series of television and radio interviews, she maintained that "Britain is the best place in the world in which to be ill. We get the best health care in the world."

She stressed the Government's health record in expanding services and staff.

However, most ministers were commenting more on the promotion of Mrs Angela Rumbold to be Minister of State at the Department of Education after only just over four years in the House of Commons. She is regarded as a key person in the discussions about radical changes in education.

Mr Douglas Hogg, the new junior Home Office minister, said yesterday that he would maintain his opposition to the proposed siting of a nuclear waste dump at Fulbeck, in his Grantham constituency in Lincolnshire, despite his appointment to the Government.

There have been strong protests in Grantham, as at the other three sites for a possible dump, following the approval by parliament of proposals for test drilling.

Mr Hogg said: "The Prime Minister and her ministers know that I shall continue my vigorous opposition."

There is a precedent for Mr Hogg's view since Mr John Wakeham, the Chief Whip (parliamentary party manager) made known earlier this summer his opposition to a possible site at Bradwell in his Essex constituency.

Labour's tax plans; Alliance nuclear policy, Page 8

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Morrison given task of putting party machine into top gear

Michael Cassell assesses a key appointment at Conservative Central Office

NO SINGLE appointment in Mrs Margaret Thatcher's extensive, second-rank reshuffle is potentially more critical to her chances of winning a third term in office than that of Mr Peter Morrison, who becomes a second deputy chairman of the Conservative Party.

Mr Morrison, who until Wednesday was the Trade and Industry Minister, has been brought into the Conservative Central Office, which runs the party machine, to sharpen up its organisation and prepare it for the run-up to the next general election.

His appointment to the post took many colleagues by surprise, given his shaky, one-year stint in a department repeatedly battered by a succession of embarrassing affairs like Westland Helicopters.

At one stage, it looked as though the new post would be filled by Mr John Cope, the Government's deputy Chief Whip (parliamentary party manager), who is highly rated for his organisational abilities. But it is now clear that Mr Norman Tebbit, the party chairman, was particularly keen to enlist Mr Morrison, with whom he previously worked closely and successfully at the Department of Employment.

Mrs Thatcher eventually agreed that Mr Tebbit's man, well respected for his administrative skills and, undeniably, a hard worker, should have the key job.

The creation of the new position is in itself a victory for Mr Tebbit, who has for three months been attempting to persuade the Prime Minister that more top-level help is needed at Central Office to ensure that the party organisation is in good shape for the next general election.

Mr Tebbit himself has, since his election as party chairman last September, come under fire from within the ranks of senior Tories for his combative style and his apparent failure to improve the party's standing in the country. Criticism of his record was heightened after the Tories' poor showing in a series of by-elections and local elections.

Mrs Thatcher, who was eventually forced to restate in public her support for the party chairman, has now clearly accepted that more help is one way of improving Central Office's performance and that Mr Tebbit's time could be more effectively deployed.

Sir Marcus Fox, chairman of the 1922 Committee of Conservative backbench MPs, was enthusiastic about the appointment and said mounting criticism of Central Office could not have been ignored any longer. The party machine had been suffering from a damaging inertia and Mr Morrison's arrival would help it get into top gear.

Mr Morrison, aged 42 and Eton and Oxford-educated, is a former Conservative whip who has represented Chester since 1974. He said yesterday that he was "chuffed to bits" with his new appointment. He immediately held his first strategy session with his new boss.

His principal function will be to take from Mr Tebbit's shoulders some of the day-to-day administrative responsibilities which the chairman has had to carry. In addition to his commitments as chairman of the party, Mr Tebbit is a member of the Cabinet and numerous Cabinet committees, as well as a constituency MP.

A Central Office spokesman described the new deputy chairman's role as that of "a progress chaser" who would ensure that decisions concerning the next election campaign were carried out.

Mr Morrison's role, he added, would not clash with that of Mr Jeffrey Archer, the other deputy chairman, who would continue to tour the country, pushing the Conservatives' message. Mr Archer, he said, was attending up to three meetings a day and was proving a highly popular exponent of Tory policies.

Mr Morrison's own political future will, to some extent, depend upon the success of his efforts in the coming months. The return of a third Conservative administration should ensure a reward from Mrs Thatcher in the shape of his return to another, possibly weightier, ministerial post.

£120m order given to Royal Ordnance

BY LYNTON McLAIN

THE MINISTRY of Defence abandoned its competitive tendering policy for defence equipment yesterday by agreeing to buy all its supplies of small arms ammunition for the next three years from Royal Ordnance, the state arms and munitions company.

Royal Ordnance had no competitors for the contracts, which will be worth a total of about £120m over the three-year period to 1989. MoD procurement officials sought keen prices from Royal Ordnance for the 5.56 mm rifle ammunition, the 7.62 mm machine gun ammunition and the 9 mm sub-machine gun and pistol ammunition.

Discussions will take place shortly between Royal Ordnance and the Ministry, according to Mr Philip Thorpe, the director of Royal Ordnance Radway Green, near Crewe, Cheshire, where most of the ammunition will be made.

Under the terms of the agreement reached with the Ministry, Royal Ordnance is to make "further improvements in efficiency measures."

FT index to provide world benchmark

BY CLIVE WOLMAN

INTERNATIONAL fund managers have acquired a glamorous image, jetting to companies around the world and ordering the switching of millions of pounds from the US to Singapore or Japan.

However, whether all their frenetic activity, supported by generous salaries and expense accounts, can be justified in terms of achieving higher returns for clients has always been less clear.

The question has become more pressing in the 1980s because of the rapid growth of international equity portfolio management, not only in the UK since the abolition of exchange controls, but also in the US and, more slowly, in Japan and Western Europe.

The problem has been to find a suitable benchmark against which to judge the investment performance of international managers, just as, for example, the FT-Actuaries All-Share Index is used to judge fund managers' performance in the UK stock market.

Until now the only such benchmark to become widely accepted was that set up by Capital International Perspective in Geneva. The rights to those indices were acquired last year by Morgan Stanley, the US investment bank.

The establishment of what is now called the Morgan Stanley Capital International World Index – MSCIWI or, irreverently, Ms Kiwi – was a great accomplishment in view of overcoming the problems of different accounting standards and definitions of equity, and also allowing for dividend payments and currency fluctuations.

Some complained that the 1,500 stocks it covers from 19 countries make it a market-leaders' index, rather like the FT-SE index of 100 stocks in the UK market. It still fails to reflect smaller companies' performances adequately.

Another criticism is that it includes shares foreign investors find difficult or impossible to buy because of legal restrictions or because they are tightly held, such as shares in Swiss-registered companies or in Swedish banks which are banned to foreigners.

Fund managers' protests date mainly from 1984. Most discovered their performance was well below the rise, with income reinvested, in the MSCIWI.

This was partly because of the upsurge in Japanese bank shares, which were difficult for foreigners to buy, and because of the relative decline in many smaller company shares. That these biases, in previous years had worked in the opposite direction to flatter the fund managers' performance, was overlooked.

Morgan Stanley itself has plans for including more companies and countries in its index and a wider range of sub-indices.

The Financial Times Actuaries World Index, launch of which next January was announced yesterday, aims to meet some of the criticisms by including a wider range of companies. About 2,000 are to be chosen from a pool of about 2,550 drawn from 24 countries, including some, such as Finland and New Zealand, not covered by the MSCIWI.

The index will also be calculated faster than MSCIWI, which is prepared overnight in the US ready for US managers to find on their screens the next morning.

It is hoped that the FT-A World Index will be calculated daily only a few hours after the close of the US stock markets, ignoring any movements that have occurred in the next day's trading in Australasia and the Far East. This should allow the index to be printed in later editions of the next morning's Financial Times in London.

The index will be calculated in several different currencies. It will cover 98 different industrial sectors in which the world's stock market companies operate. Indices will be compiled and published for many of these sectors.

However, the index compilers have yet to decide what weighting to give to companies, many of the shares of which are not freely available to private investors. That has been the situation with British Telecom, 49 per cent government-owned, and, at least before 1984, of Japanese banks. It will be difficult to lay down rules without being accused of arbitrariness.

FT-ACTUARIES WORLD INDEX
Number of companies in pool from which index constituents will be drawn

Australia	132	Malaysia	34
Austria	16	Mexico	25
Belgium	43	Netherlands	42
Canada	112	New Zealand	31
Denmark	37	Norway	[illegible]
Finland	22	Singapore	[illegible]
France	136	South Africa	[illegible]
West Germany	150	Spain	[illegible]
Hong Kong	50	Sweden	[illegible]
Ireland	15	Switzerland	[illegible]
Italy	72	UK	[illegible]
Japan	486	US	[illegible]

Total: World 2,575   Total: World ex-US 2,018

UK NEWS

Ports chief attacks state subsidies

By Kevin Brown

SIR Keith Stuart, chairman of Associated British Ports, yesterday launched a strong attack on distortions in the market for port services caused by government subsidies.

Sir Keith told the World Freight Conference in London that the UK Government had provided £200m in the last five years to subsidise the older ports in London and Liverpool.

"These subsidies will ultimately have little effect in preventing the decline of those ports, but in the interim can and do create a totally artificial market for port services in some sectors," he said.

Sir Keith said UK ports also had to compete with extensive subsidies to ports elsewhere in Europe for light dues, pilotage, dredging costs and infrastructure work.

"I think UK ports are fully justified in complaining strongly about the unequal treatment of the ports industry within what is supposed to be a Common Market," he said.

Sir Keith called for the establishment of a "true market economy" in the ports industry, and an end to subsidies by both UK and continental European governments.

"I want to see more emphasis placed on ports as business enterprises and much less on their misuse as elements of socio-economic engineering," he said.

Associated British Ports, created in 1983 with the privatisation of the British Transport Docks Board, is the biggest UK port operator.

Labour rules out return to very high tax rates

BY PETER RIDDELL, POLITICAL EDITOR

A NEW Labour government would not return to the very high marginal rates of taxation which were levied on the highest paid before 1979, Mr Roy Hattersley, the shadow Chancellor of the Exchequer promised last night.

In a speech in New York intended to reassure US investors about the financial responsibility of Labour's plans, Mr Hattersley argued that the highest paid, and he included himself, would have to contribute more.

He stated that this would not mean a return to previous very high marginal rates. These went up to 83 per cent on earned income and 98 per cent on investment income before the changes in the first Conservative Budget of 1979.

Labour, he said, shared "the view, inherent in the current American tax proposals, that there should be a restriction on the allowances that can be claimed against taxes levied at higher than standard rates."

This means in practice that interest relief would only be allowable at the basic rate of income tax (currently 29 per cent) and not at the highest marginal rate (up to 60 per cent) which an individual faces.

Mr Hattersley said that Labour was also examining the US proposals to tax capital gains as income.

A variety of options for recouping the £2.6bn of tax concessions for the higher paid since 1979 were now being examined by Labour advisers for a shadow Cabinet decision later this autumn.

He added that changes were also needed in corporate taxation. The withdrawal of capital allowances had, after the initial boost given to investment, had a deeply damaging effect on Britain's industrial performance. He said that some new form of investment incentive would be introduced by the next Labour government.

Mr Hattersley was flown out to New York by City of London stockbrokers Greenwell Montagu to address a dinner to coincide with an institutional investors' conference. He will also meet members of the US business press.

Mr Hattersley reaffirmed Labour's commitment to reduce unemployment, to redistribute income and to increase public spending on services such as health. But he set these policies in the context of a firm framework for expenditure and borrowing.

Mr Hattersley also reaffirmed that Labour would not reintroduce statutory exchange controls and explained his scheme based on tax incentives, for the repatriation of part of the overseas investment of City institutions.

He stressed that these proposals neither affected direct overseas investment by British companies, nor holidaymakers and businessmen wanting to take small sums out of Britain.

He suggested that US investors might regard them as similar to those introduced by President Kennedy in 1963 and to schemes currently operating in some Canadian provinces.

He said the repatriation of a percentage of institutional overseas portfolios would exert some upward pressure on sterling values and would help to avert any over-depreciation, which would undermine Labour's effort to rebuild industry.

British Coal backs European innovation plan to create jobs

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

BRITISH Coal Enterprise, the body set up to help create new jobs in pit closure areas, yesterday agreed to put £916,000 into the first British example of a new generation of innovation centres. It will be built in Barnsley, South Yorkshire.

The centre – described by Mr Tony Hewitt of British Coal Enterprise as the high-technology equivalent of a managed workshop – will nurture new businesses which are pioneering innovative products and services.

It will be one of at least 10 of a similar type in Britain and will be part of a European network of 60, all partly funded by the European Community. They will be linked electronically to help interchange of ideas, joint ventures, technology transfers and venture capital brokerage for the high-fliers.

Running costs of the Barnsley centres are expected to be £2m over five years, with half from Europe, one-third from British Coal and other support from Barclays, NatWest and the Co-operative Bank.

Unemployment in Barnsley is 21 per cent, rising to 25 per cent around the five pits that have closed in the last five years with the loss of 5,000 jobs. South Yorkshire as a whole has lost one-third of the 45,000 mining jobs it had in 1981.

Mr Hewitt said that he did not expect the centre to provide jobs directly for many redundant miners. He believed its role would be to build a structure of local unemployment for miners' children. The centre's initial hopes are 500 jobs by 1991.

Mr Christopher Norman-Butler, of the Brussels-based *European* Business and Innovation Centre Network, said that the prototypes for the venture were a centre in the Aston University Science Park in Birmingham and a similar one in Berlin, with which it formally twinned this year.

At Aston, 35 companies have started up in three years, with an average capitalisation of £70,000 and an average payroll of eight. There has been one failure, but the star performer now employs 150. In Berlin, 38 companies *have started*, none has failed and the high-flier has 220 employees.

There are already innovation centres of sorts at Edinburgh, Welsh Deeside, Merseyside, Newcastle and Swansea, where university involvement has been the key to their establishment. Most are likely to modify themselves to conform with European Community definitions and join the new *network*.

In Europe, similar centres are now emerging at Limerick in Ireland, Bilbao in Spain, and Oporto in Portugal.

Alliance 'defuses row over Polaris'

By Michael Cassell

LEADERS of the Social Democratic Party/Liberal Alliance believe they have succeeded in defusing the damaging row over the future of Britain's nuclear defences which could have overshadowed their forthcoming party conferences.

Disagreement between the two Alliance partners over the need for an eventual replacement for Polaris emerged during the early summer and both sides have since been attempting to establish a compromise formula acceptable to both partners.

In their attempt to find common ground, Dr David Owen and Mr David Steel, the Alliance leaders, have been stressing the European aspect of defence policy and they now believe, after their recent meetings with EEC political leaders, that their approach has been vindicated.

The Alliance is particularly encouraged following talks in France which appeared to suggest that the French position on defence co-operation with its European neighbours is changing significantly and is becoming markedly less isolationist.

Dr Owen and Mr Steel are hoping that their recent efforts will have proved sufficiently successful to forestall any head-on clash at the party conferences over nuclear defence and will give more time to work out an agreed position.

Mrs Williams, announcing details of the SDP party conference, which begins in Harrogate, Yorkshire, tomorrow, said that the two leaders' visits to Europe had brought the parties closer on defence and that the differences had been healed.

Motions accepted by the policy committee for discussion at the conference endorse the policies outlined in the joint SDP-Liberal commission on defence, suggesting that Dr Owen is prepared to soften his approach and to seek a compromise.

The SDP conference, which will be attended by about 1,500 delegates and will be the party's last opportunity to present policies independently from its Alliance partners, faces other potentially divisive issues, including nuclear defence and the party's proposals for the *redistribution of wealth*.

UK NEWS

SIB REVISED DRAFT RULES

Detailed controls proposed on investment advertising

BY CLIVE WOLMAN

THE REVISED draft rules published yesterday by the Securities and Investments Board, the embryonic City regulatory body, contain a new section on advertising.

Several sections of the original draft rules published in February have also been revised substantially as a result of consultations. These are as follows:

THE EXPERIENCED INVESTOR

The earlier draft rules made a distinction between the professional or business investor, for whom some of the investor protection rules could be relaxed on account of his expertise and understanding, and the ordinary individual investor.

The new rules introduce another category, that of the experienced investor. This is defined as someone who has actively managed his own investments over a period of a year or more on such a scale, that he has exposed himself to significant risks, which he can be expected to understand. He will be capable of making his own decisions and may be familiar with the operations of the brokers and dealers he uses.

An investment firm will not have to ask customers who are experienced investors to sign a full customer agreement as specified by the SIB rules.

CUSTOMER AGREEMENTS

The revised rules provide detailed requirements for all forms of customer agreements and the procedures for making and activating them. There are two categories of investors who do not have to be asked to sign a full customer agreement. One is the occasional customer, who may be offered occasional customer agreements and the other is the business, professional or experienced investor, who may be offered a "terms of business" letter.

Customer agreements must contain the following information:

- Basic details about the investment firm.
- The type of services offered, for example advice on investments.
- If the services include recommending purchases of single premium life assurance policies or unit trust units, there must be a warning that the purchases cannot be cancelled.
- A statement on whether or not the customer agrees to the firm making unsolicited calls on him and, if so, when and how. An occasional customer agreement must state that no unsolicited calls are permissible.
- A warning that non-business, non-professional investors who agree to unsolicited calls lose some of the protection of the rules on unsolicited calls.
- The basis, method and frequency of payment by the customer to the firm for services rendered and a statement on whether the firm will earn any commissions.
- An occasional customer agreement must summarise the advice the firm has given the customer and any instructions the customer has given the firm. An occasional customer agreement must be sent by post and confirmed by the customer before any transactions can take place.

The requirement in the original draft rules that customer agreement letters should be renewed every year has been dropped. But any agreement allowing the firm to make unsolicited calls lapses if no business has been conducted between firm and investor for a year.

Roy Croft, chief executive of the SIB organising committee

A business letter must also specify the investments and services for which the customer is to be treated as a business, professional or experienced investor. It must also make clear that the firm does not have to execute a transaction for the customer on the best terms, for example by buying shares at the lowest price available on the Stock Exchange, if it is acting not as the customer's agent but as a principal in the transaction. If there is any suggestion that the firm may be acting as an agent, it must execute the transaction on the best terms.

A full customer agreement relationship can be started only after the customer has received the agreement by post, signed it and returned it.

Other material that must be contained in a full customer agreement includes investment guidelines, the arrangements by which a customer can terminate his contract, when no penalty charges may be imposed, arrangements for receiving instructions and reporting transactions to the customer and arrangements for holding a customer's money and investments.

Agreements for discretionary portfolio management must include further items. In particular, the firm must obtain specific permission to invest the customer's money in its own funds or in investments with which the firm has been involved.

INDUCEMENTS AND BENEFITS IN KIND

The revised rules impose detailed and strict limits on the inducements one investment firm can give to another to persuade it to refer its customers' business with the inducing firm. Gifts must not be of such a frequency or value that could reasonably be expected to influence the judgment of any recipient making recommendations to customers or making decisions on their behalf.

The rules ban arrangements for the reciprocal placing of business, as these restrict a firm's freedom to place or executive a customer's business to his best advantage. They also ban the commission "overriders," the additional payments often made to life insurance and unit trust brokers who generate a high volume of sales. This restriction does not apply to stockbrokers who charge fund managers lower rates of commission for larger transactions.

BEST ADVICE

A new general requirement is placed by the revised rules on investment firms to give the "best advice" to customers. The investment must be suitable for the customer, taking into account what the firm knows or should have known about the customer's other investments and his personal and financial situation.

For example, a life insurance or unit trust company must ask a potential customer, who is not an execution-only customer (one who merely gives instructions for a transaction to be made) about the value of his wealth and how it is invested. It must then accept that it may not have any suitable investments for him.

ILLIQUID INVESTMENTS

Firms must give a warning if they recommend investments which cannot be easily cashed in, for example shares in an unquoted company. They must explain clearly the possible difficulties to the customer of realising the investment and of determining accurately its current value. They must also disclose fully any interest the firm has in the investment including, for example, options over a company's shares.

A stricter requirement has been imposed on securities firms publishing research which made recommendations to buy (or sell) company securities or other investments. They are not allowed to buy (or sell) the investments in anticipation of the recommendation being published.

Exceptions to the rule are granted if the firm is merely buying securities to satisfy anticipated customer demand in response to its recommendations, provided that its purchases do not in themselves significantly "boost" the price.

ADVERTISING RULES

The advertising requirements apply to all forms of printed media and broadcasting. They must take into account the financial sophistication of the readership. Thus an advertisement in a specialist financial tip-sheet may not be suitable for a mass-circulation newspaper.

The evidence to substantiate any statements of fact must be available at the time of publication. Information which is likely to be out of date by the time the advertisement is published and read should not be used.

The fairness of an advertisement will be judged by what is omitted as well as what is included. The key features of a product or service being advertised must be described.

Strict rules are to be applied to past investment performance records published in advertisements. The selection of a period over which the performance is recorded must not be unfair.

The SIB is asking for comments on the draft rules to be submitted by October 9. The rules, which set the standards which individual self-regulatory organisations must meet, will form the basis of the SIB's request under the Financial Services Bill for authorisation by the year's end from the Trade and Industry Secretary.

TECHNOLOGY

Laura Raun, in Amsterdam, looks at how Dutch horticulture aims to keep its grip on world markets

Where computers lurk among the begonias

THE MASSED ranks of begonias and cyclamen at the Klass Visser glasshouse nursery, in the Netherlands, are left to their own devices at the weekend. No one stays behind to water them, open the air vents and move the sun screens. A small mainframe computer, specially designed for the Dutch horticultural industry, controls all that automatically, replacing the three or four workers previously needed to tend the fledgling plants.

Long known as some of the world's most intensive farmers, the Dutch have harnessed high technology to produce even bigger and better crops at cheaper prices. Among the greatest automation advances have been those in the horticulture industry which has grown up around the vast glasshouses that provide plants with some of the warmth the country lacks. Climate-controlled greenhouses churn out roses and tomatoes in the manner of computer-aided manufacturing, while highly automated auction houses speed the produce to consumers within hours.

For years the Dutch have sold more cut flowers and potted plants abroad than anyone else in the world. In 1985 exports amounted to Fl 3.6bn ($1.57bn) and, with those for vegetable and fruit surging 63 per cent to Fl 5.55bn since 1980, horticultural exports now account for about one-fifth of all the Netherlands' agricultural sales overseas.

Growing international competition, however, coupled with appreciation of the Dutch guilder and a slowdown in world trade are threatening to undermine the country's pre-eminent position. Dutch exports of cut flowers shrank to 63 per cent of the world market last year from 66 per cent in 1984, while vegetable and fruit exports may come under pressure from Spain, following that country's entry to the European Community.

Dutch horticulturists are nevertheless in a strong position to face up to these challenges. Scarce land and high wages have forced them to develop efficient production methods while plentiful fuel—natural gas—has favoured glasshouse cultivation. The good size of the horticulture industry has provided the economies of scale necessary to finance new and innovative techniques, with automation proceeding along three broad lines: greenhouse-climate control, administration and replacement of manual labour.

The Dutch are determined to stay competitive by offering tha highest possible quality for the lowest price, Mr P. J. Hooyman, general secretary of the Aalsmeer Flower Auction (VBA), the world's largest flower auction, wrote in the 1985 annual report: "We have built up an advantage in know-how and craftsmanship as well as in logistics and organisation. It is of the greatest importance that we maintain these advantages . . . through intensive co-operation by all concerned, producers as well as traders.

Located in Aalsmeer, about 15 miles south of Amsterdam, the 340,000 square metre auction house is the largest building in the world (36 football fields) and allows the sale of more than 12m cut flowers and 900,000 plants daily. Display, bidding and accounting are all computerised so that buyers — wholesalers and retailers — can pick up their goods only 15 minutes after the sale.

Because time is money when it comes to freshly cut flowers, the Aalsmeer auction is aiming to speed up the process even more with a new Fl 7m computer centre. This is part of an expansion programme that will double floor space by next year.

The new centre has been designed to hasten the handling of all the pertinent information that is recorded after a buyer inserts his plastic identification card into his desk top in the auction hall: ID number, purchase price, quantity, type of plant and so on. The enlarged computer capacity may also allow further automation of the payment system.

As in all industries from banking to baking, information in horticulture is increasingly important for staying competitive in a global market. Last year Aalsmeer launched a videotex system that links up with growers to provide up-to-date information on auction prices, sales quantities, buyer demand, weather conditions and other data. Called Televba, the system will later allow a two-way exchange of information and will eventually provide a three-way exchange with buyers.

Just down the glasshouse-lined road from the Aalsmeer auction is Klass Visser International. Established in the 1940s, this 42,000 square metre nursery cultivates young begonias and cyclamen for sale to other greenhouse growers, mostly abroad. One of the most technologically advanced glasshouse growers in the Netherlands, Visser ranks about tenth among young-plant nurseries with annual sales of more than Fl 9m. Over tha past decade the company has spent upwards of Fl 5m on automation so that climatic conditions inside the cavernous glasshouses are computer-controlled.

Row upon row of heated tables are laden with flower pots, ranging from seedlings to mature plants adorned with vibrantly coloured blooms—red, pink, orange, gold, yellow. Atomisers dangle from above to suffuse the plants with carbon dioxide while tiny tubes individually drip water and fertiliser on each pot. Lamps bathe the plants in artificial light when the Dutch skies provide too little. At crucial times such as the first few weeks of sprouting, sun screens protect tiny plants from too much sunlight. Vents in the glass skin of the greenhouse let in fresh air.

Administration at Visser has been streamlined through a computerised ordering system that aids production planning and ensures prompt delivery, explains Mr Willem van der Merbel, director, while sitting in his office overlooking waves of begonias.

Manual labour is where high technology has made the fewest inroads, with automation limited to cyclamen seeding. A seed planting machine that was originally developed five years ago was recently renovated and now plants 20,000 pots per hour, a job that would require 40 people to do.

Mr van der Merbel explains why automation of manual tasks has proceeded more slowly: "The biggest problem is translating the feeling a nurseryman has—his green thumb—into a computer programma." A veteran horticulturist, Mr van der Merbel knows when a begonia needs water by picking it up to feel how heavy it is, not by looking at it. Another example he gives is nurserymen who used to open the glasshouse vents when cold, winter weather suddenly gave way to unseasonably warm weather, thinking fresh air was good for the plants. What they did not know but computers have revealed is that the carbon dioxide borna by the fresh air nourished the plants.

Progress is being made, however. Research is being carried out to equip a robot with a nurseryman's "green thumb" to judge tha appearance, quality, size and uniformity of plants. For Visser, the next major step will probably be such a robot programme to transplant fledgling cyclamen plants from their original styrofoam trays into larger trays to continue growing. "The research is being done to produce an affordable robot, which will probably be available in five to 10 years," Mr Van der Merbel predicts.

Improvements are even still possible in computerised climate control, he adds. Scientific research is providing a fresh insight into growing conditions, information which can then be used to improve computer programmes. "The borders in this area have not nearly been reached." Mr Van der Merbel says confidently.

Computers look after the needs of plants at the Klass Visser nursery, making sure they have the correct amounts of air, water and light. A big problem, however, has been translating into the system the feel a nurseryman has for his flowers. Nevertheless, moves are underway to build into machines a "green thumb" to judge the appearance, quality, size and uniformity of plants

Japanese cut cost and bring down size of video cameras

ELECTRONIC photography continues to infiltrate the market, offering a growing threat to film-based products, particularly in the home movie area. If bulk and price have held off some buyers, they will be happy to hear about a new camera-recorder from Japan Victor Corporation (JVC), the GR-C5, which measures 205 x 111 x 85 mm (8.2 x 4.4 x 3.7 inches) and weighs 750 gms (1.6 lb). It is claimed to be the world's smallest VHS camcorder and will sell in Japan at Y168,000 (£642).

Fuji Photo Film showed a new group of still video cameras at Photokina 86 in Cologne. They continue to use tiny floppy disks to record the pictures, but a higher definition image sensor is being used to give greater clarity.

AIRCRAFT FIRES could be far less hazardous following the development by TBA Industrial Products, a Turner and Newall (Manchester, UK) subsidiary, of new fire blocking fabrics.

TBA and Aircraft Interior Components of High Wycombe have jointly designed a dual-fabric fire barrier layer for aircraft seat covers. This is said to offer a good combination of safety, comfort, long service life and low weight.

The materials used are made from a combination of carbon fibre and Du Pont's Kevlar, a high temperature plastic that retains integrity to 350 deg C. The two materials comply fully with the appropriate Federal Aviation Regulations. More on 061 872 6155.

SALARIES for those involved with CAD/CAM are now among the highest in the electronics industry according to recruitment consultants Kramer Westfield of Egham, Surrey, UK (0784 34322).

CAD/CAM (computer aided design and manufacturing) is one of the more recent electronic developments, allowing engineers to design products and prepare for their manufacture on a screen and keyboard workstation. Recently it overtook communications as the leader in salary scales, with 51 per cent of sales managers and 46.5 per cent of technical managers now earning between £20,000 and £30,000 a year. The figures for communications are 33.3 and 20 per cent.

TRANSPORTABLE CELLPHONES have been launched by Motorola Communications of Basingstoke, UK (0256 58211).

The units have the advantage that, although they can be carried about with only little more difficulty than a personal portable, they have the power output of a vehicle-mounted set giving improved performance, together with improved facilities such as speed dialling from a 70-number memory.

Included with each transceiver is a weatherproof carrying case, charging units to work from mains or from the car's 12 volt supply. Price is £1,199. A model that works both in and out of the car is available from £1,399.

MEGADOC, THE Philips optical system that can store large amounts of data of all kinds on a digital optical disk, has been sold in the UK for the first time.

The customer is Optical Storage Holdings, a company formed to provide consulting, systems and bureau facilities for clients working in this area. Costing £275,000, it will be operational by early 1987.

The operation will be the first of its kind in Europe and apart from UK customers, it will be able to provide services to the existing continental users of Megadoc, including Reale Mutia, an Italian insurance firm, The International Olympic Committee, Landes Ban Sparkasse, a German building society and Grune and Jahr, publishers of Stern magazine. Philips says it has a total of 20 orders for Megadoc in Europe.

WORTH WATCHING

Edited by Geoff Charlish

Toshiba and Thomson in microwave venture

MICROWAVE OVENS are to be made in France by a joint venture to be set up by Japanese company Toshiba (49 per cent) and Thomson Grand Public, a subsidiary of the French electronics company Thomson (51 per cent).

The new firm, called Cefemo, will be established at Alencay (400 km southwest of Paris) and will start up in September 1987 with 230 employees and an expected annual production rate of 300,000 ovens.

VIDEOCALLS IN full colour across the Atlantic using a single 56,000 bit character per second (kb/s) digital telephone link have been made from Brussels to Widcom, the US-based video telephone company.

By contrast, transmission of a standard colour TV signal would have required the capacity of 1,500 telephone lines. Widcom, however, has developed codecs (coding/decoding) devices that are able to compress the data in the digitised TV signal to "squeeze" it into a 56 kb/s channel.

Although these systems suffer some degradation of motion in the picture, they allow transmission of full colour graphics and other data as well as "face to face" video.

POULTRY FARMERS are being offered a new electronic unit from Stonefield Systems of Horsham, UK (0403 51265). Called Flockman, it is able to keep tabs on, and adjust, poultry house temperature, humidity, ammonia levels, heater consumption, feed uptake and flock growth performance.

The system takes inputs from sensors around the poultry house, analyses findings and controls the environment accurately.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

WORK SHADOWING, like *Industry Year*, *started off* with only the most general objectives: to make young people aware that industry is important to the wealth-producing process, both through having direct experience and by taking that learning back to those who *did not take part in the* experiment.

The signs are, however, that—properly organised—it could have other more defined results, and influence young people's choice of career.

So far, it has pointed up persistent areas of weakness in the current level of understanding between industry and education. Although a growing number of schools now have some sort of *link*

Work shadowing

A qualified success

Hazel Duffy on efforts to create a legacy from Industry Year

with local industry, it was striking that none of the 17-year-olds *interviewed felt* that *they* had had anything like adequate preparation for industry.

None had been on an industrial visit—"I knew they took place, but they were always over-subscribed," said Samantha Bradbury-Platt. All *four felt* that they would have welcomed more information and guidance from their teachers, although they recognised that this could be no substitute for practical experience.

But the most glaring deficiency on the education side still is in careers-counselling—something for which industry has to take some of the blame, perhaps. All said that they had had visits from former pupils now at university who talked about what they were doing, but that nobody seemed interested in what happened beyond that.

When they did have visitors *from the working world, they* tended to talk about professional careers—accountants, solicitors, engineers—but not about how these might fit in with industry; and certainly nobody talked about management, which was the very practice that they witnessed in shadowing, and found exciting.

If the work shadow scheme is to have long-term value, it has to be repeated each year. Better organisation is needed—some pupils were only told of the scheme one week before the end of the summer term.

Ideally, preparation probably needs to be made in early spring. Managers also thought they should have the chance to meet their shadows for a short while before the week starts. Given these improvements, work shadowing could prove one of the more enduring legacies of Industry Year.

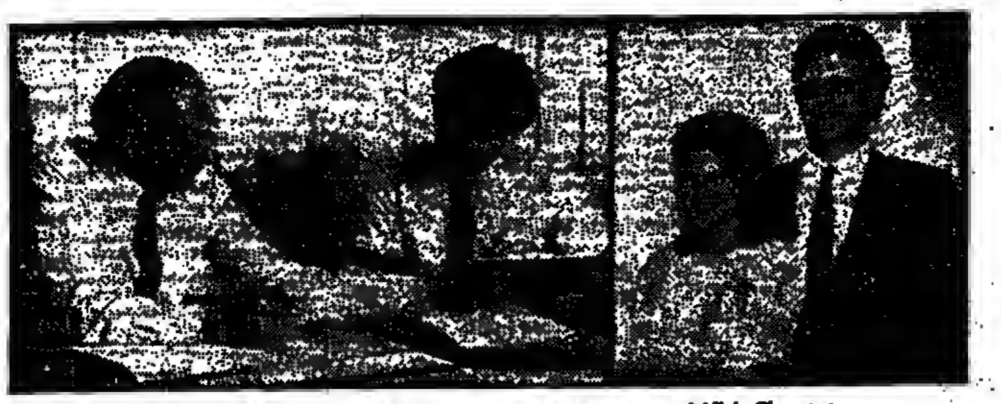
PAUL DIVERS, about to enter his final year at a Winchester sixth form college, only once recalls being bewildered during the week that he shadowed Reg Shield, marketing and sales director of Vickers Design and Projects. That was when he found himself in the midst of a high-level delegation of Russians, who were about to be given a presentation by Vickers' management. He did learn, however, through translators, that the Russians were very interested in the shadow idea, because they, too, have difficulties in attracting bright youngsters into industry.

For the rest of the week, he *became* so absorbed in Vickers that when he was asked to stay on and help the marketing team for a few more weeks, he gladly waved goodbye to any thoughts *of a summer* holiday.

The Design and Projects operation is not easy for a youngster to understand in so short a time. Working on highly specialist, customised projects, all the team must be qualified engineers. The nature of the work was quite an eye-opener for Paul, who was surprised to turn up at the neat little office block in Eastleigh and find no factory.

Paul was slightly better prepared than most people his age. He is taking a new A-level course in industrial studies. But he agreed he could not really understand Shield's job.

He did, however, pick up the atmosphere surrounding success and failure. He was there when the news came through that Vickers and its partners had not *won a big European wind tunnel* project. But he went on to help with the celebration arrangements for the coveted Queen's Award for Technological *Achievement* presented to Vickers for its work on the tension leg platform.



(L to r) Reg Shield, Paul Divers, Samantha Bradbury-Platt and Nick Chapman

He was taken into all the top level meetings, with other managers discussing bid tactics, and with potential clients. This is a point which worried some managers who were approached to see if they would be shadowed. But Shield did not find it a problem. "I was surprised and encouraged by the ease with which others accepted Paul," he says. "The only meetings I did not take him along to was one where an item of national security was involved, and when I interviewed somebody for a job."

Shield is a Tynesider, and one of the Vickers' managers who had to effect the closure of the engineering works in Scotswood Road, Newcastle. That period brought home to him the necessity for British industry to be competitive, and that it must attract clever young people.

"If they continue to see medicine, law, etc, as offering the best careers, industry will not survive," he says, explaining his enthusiasm for the shadow project. "And there is another reason. Vickers Design and Projects will *not* benefit directly from good links with local schools because we only recruit engineers with several years of experience. But we are part of the Eastleigh community, and we can contribute much more this way than just paying the rates."

And Paul? "I am definitely more inclined to go into industry as a result of this experience."

SAMANTHA Bradbury-Platt reported to the reception desk at the Esso refinery in Fawley promptly at 8.15 am on Monday, July 28. She knew nothing about Esso other than that it sold petrol and ran the refinery in her neighbourhood, and she had little idea what she wanted to do after university (she plans to take a degree in biochemistry).

By the time she walked away from Fawley the following Friday, she was quite sure that she wanted to work in industry.

Samantha was lucky. She had asked to shadow somebody in personnel because "I knew vaguely that I was interested in the people side of industry." She was assigned to shadow Nick Chapman, employee relations manager at Fawley.

The partnership worked well for both. Samantha, a quiet confident girl from the local sixth form college, sat in on all the meetings, including confidential negotiations with outside contractors on union-related matters. She accompanied Chapman to the London head office on one of his routine visits, where she was introduced to other managers. And she was able to flesh out her sketchy knowledge of employee share ownership schemes as her manager explained the plans of the parent company, Exxon, to the senior trade union representatives on site.

Samantha said she began really to understand what was going on towards the middle of the week. She was also able to appreciate the way that Chapman worked in getting the best out of his staff and reconciling what he was doing with the wider objectives that are set for the plant and the company. "I was really struck with the teamwork," she said afterwards. "And I was very interested in seeing what actually takes place in negotiations."

She also found it helpful talking with a recent female graduate in the recruitment section at the refinery, as somebody to whom she could relate her own possible career prospects.

Samantha had gone to Fawley at a stage in her education when she wanted to know something about what industry had in prospect for her, particularly as she had had nobody with whom she could discuss the possibilities at school or at home (her father had once worked for English Electric but now runs a men's clothing shop).

Chapman thought he personally had gained from the experience. "It was a great opportunity to give an intelligent person an insight into industry—with the right person, there was no need to hold back. And it was rewarding to find somebody from outside, who *found my work interesting*."

Esso put forward 52 senior managers for shadowing, the largest of any one company. A few areas were ruled out as being too sensitive, otherwise there was a notable willingness to be open about what they are doing. This could be particularly important at the local level. Esso at Fawley is one of the biggest employers in the area, and now has somebody who can relate her experience there back to her colleagues at college.

Work shadowing experiences at Dyson Refractories and Marcont Communications were featured on this page on September 10.

Where a do-it-yourself MBA would fit the bill

By DAVID THOMAS

SHELL UK has a problem with developing the best and brightest of its young managers: it would like them to have some formal business training at key moments of their careers, but it cannot afford to send them for long periods to business schools to do MBAs.

Brian Bowden, Shell UK personnel director, explains: "Two years costs too much in time (and therefore money) to send someone away, especially early on in their career."

He is also worried that his managers may never return once they have crossed the thresholds of business schools: "We just don't send our bright people away from Shell for two years, because the chances are they'll get so hyped up about their prospects that we'll lose them."

Yet, as the demands made on managers continue to intensify, Bowden is also convinced of the need for managers to undergo formal training like that offered on the MBA.

Many business schools have reacted to such dilemmas by offering part-time MBAs. Warwick University Business School attracted 350 students when it announced last year a "distance learning" MBA allowing students to study an MBA away from the university by completing courses, known as modules, prepared by the *business school*.

But Bowden's solution to the problem would be more radical still. He is thinking about an MBA made up jointly of in-house courses tailored by Shell to its specific needs and general courses taken in an outside academic institution like a business school. "It would have to be modular to suit a company like ours where we [illegible] from Aberdeen to [illegible] and even abroad," he argues.

Bowden appears to be pushing at an open door. Yesterday Manchester Business School held a meeting in London with eight companies, hosted by BP, to discuss offering a modular MBA in two parts.

The first would be courses at Manchester on a part-time basis spread over three years. The second would consist of credits reflecting the training and experience gained by managers in their companies.

Nigel Campbell, who helped develop the idea at Manchester, explains: "There appears to be a *groundswell among 25-to-35-year-olds* who would like the qualification, but who also feel committed to their company."

Campbell reckons such an MBA would reflect a change in emphasis already apparent in business schools. This is a way from the imparting of knowledge in well-defined packets (finance, marketing, personnel and so on) and towards the acquisition of skills, such as leadership and inter-personal skills.

"We're interested in creating a new programme which would be a combination of skills acquisition and knowledge *giving*," Campbell *argues*.

Companies have also taken up a scheme launched by the Council for National Academic Awards earlier this year to explore the idea of combined in-house and formal qualifications.

The CNAA's Credit Accumulation and Transfer Scheme was designed for students who [illegible] to assemble credits towards a qualification from a number of sources.

Derek Pollard, the scheme's registrar, says: "About 60 companies with well-developed training schemes, both technical and managerial, came to us asking whether their training courses could count towards our qualifications."

In July the CNAA decided there was no objection in principle to this idea. This autumn it is due to evaluate a couple of pilot schemes put forward by IBM and British Telecom's international division.

So far, however, the CNAA has considered the proposal only for lower qualifications than that of an MBA.

These ideas are not without their problems. In the first instance, business schools and the CNAA will have to evaluate companies' in-house training to decide its true worth — an activity ripe for friction. The logical conclusion, on the other hand, could be a totally in-house MBA, a prospect the business schools would hardly relish.

Yet Bowden remains convinced that this is the best way to reform management education. He is also sure that high fliers want a piece of paper at the end of their training to show they have reached an acceptable standard. That is why he has been thinking of approaching the CNAA with a proposal for a modular MBA based in part on *in-house* training: no-one has suggested this to the CNAA before.

Business courses

***London Business School Design* Management Seminars.** 1986-87 series to cover three themes: October 16 The National Interest (first speaker John Butcher, MP, the government's *minister for design*); December 8 The Business Environment (first speaker, Francis Duffy of DEGW, architects and space planners); February 1987 Product innovation. Admission free. Details from Peter Gorb, London Business School, Sussex Place, London NW1 4SA. Tel: 01-262 5050.

Coping with product liability law, London. October 14-15. Fee: £442.75/£485.75 after September 30. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G/Ref 1202.

Finance for private companies, London, October 21. Fee: £145. Details from Dun & Bradstreet, Business Education *Division*, 28-32 Clifton Street, London EC2P 2LY. Tel: 01-377 4452.

Strategy — creating tomorrow's profits. London, October 7. Fee: Members and registered students £172.50; non-members £184.00. Details from Management and Professional Development, The Institute of Cost and Management Accountants, 63 Portland Place, London W1N 4AB. Tel: 01-637 2311. Telex: 25816 ICMA.

Tutorials in preparation for general management — 1986-87 series, Macclesfield. Series of nine one day seminars at monthly intervals from October 7. Fee £950 per person plus VAT. Details from Miss D. A. Harris, D. J. Neil, 88 Great King Street, Macclesfield, Cheshire SK11 6PW. Tel: 0625 [illegible]. Telex: 665131 boiler g.

THE PROPERTY MARKET

New breed of company turns assets into earnings

Gareth Evans and Alan Carter on 'property entrepreneurs'

TIME WAS when the property company was a simple animal. It borrowed money at x per cent, and bought or built buildings which it let for 2x per cent. There were plenty of sites available after the war and plenty of institutions happy to provide long-term mortgage money. Providing the rent was collected, money was made.

But things have changed. The flow of institutional money into property over the past 20 years, which served to drive yields down below prevailing interest rates, turned property companies from profit generators to cash-hungry animals. Companies found they had to fund revenue deficits with the magic 2x per cent turning into 0.5x per cent. While rents were rising, reversionary growth in income allowed more borrowing and with values benefiting from institutions' bidding down yields, property company paper was attractive to the market. This made it relatively easy to deal with the revenue deficit.

To compound the agony, the 1980s saw the twin props, rising rents and falling yields, removed. The recession reduced demand from occupiers and stopped rental growth as the opportunity for real returns from paper assets slowed the flow of cash from funds into property, easing the pressure on yields.

Furthermore, the greater emphasis on performance led funds to allocate what money they had earmarked for buying property to development, turning them from supporters of companies into competitors; competitors with deep pockets and a desire for the best sites, buildings, and tenants.

Against this background, a new breed of company has developed. Some develop property for sale to institutions, some trade actively in the secondary market, some move into high-yielding (positive revenue) properties. All have one theme in common. They seek to turn assets into earnings.

The property sector over the past four years has badly underperformed, with the relative market index falling from 160 to below 100. As rental growth in many sectors declined and institutional buying for most types of property evaporated, so valuers have gone through gyrations to adjust capitalisation rates. Their problems have been compounded by an increasing awareness of obsolescence.

Because of their heavy development programmes in the 1960s and early 1970s the traditional property investment company has a substantial exposure to such property, reflected in asset value growth rates in single figures. The growth rate last year averaged about 5 per cent across the sector and is forecast to be 6.6 per cent in the current year. Coupled with this slowdown in capital growth, profit growth has been kept moving as reversionary potential has been realised. But the absence of rental growth for office and industrial property in many areas of the country has seen the review cycle unwind. This has forced even investment companies to look more to trading or non-property activities to sustain what historically has been good double-figure growth.

Profits have also been retarded as companies have taken on increased borrowings to fund redevelopment or refurbishment programmes.

Emerging through this gloom have come the property development companies or the new breed of property investment company not saddled with the burden of a dated portfolio. But, alarming to many property observers, such companies show scant regard to asset backing, concentrating instead primarily on profit generation. As such they are rated on price/earnings multiples rather than on discount to asset value.

The development companies—LET, Speyhawk, Arlington, etc.,—are exploiting the institutions' recently-discovered desire to commit their property funds to development rather than the acquisition of standing investments. Their rise has been spectacular as their skills of finding sites, planning, funding and developing have been honed in a highly competitive market place.

What these companies are implying is that the (long-term) growth prospects of a property investment are not good enough or certain enough for them to hold on to their developments. They would rather take cash to generate earnings for this year's profits.

Then there are the trading companies such as Mountleigh, Clayform, and, to a lesser extent, British Land. These companies are typified partly by an investment and development portfolio and partly by a willingness to acquire sizeable investment portfolios for rationalisation. That means selling what you can as quickly as you can to generate a trading profit and hanging on to any properties which offer profitable redevelopment opportunities.

Again, the objective is not to hold the asset, but to generate cash.

The problem is whether these types of company and the new breed of property entrepreneur are here to stay in their present form or whether their emergence is a one-off taking advantage of a temporary aberration in the property market.

In our view while current conditions persist, we believe that earnings-generating property companies are here to stay. In today's property market overall performance is poor, especially compared with the returns available on gilts and equities.

Although selective areas such as the City of London and the M25 motorway are setting good rental growth with firm yields, the very attractions of these areas mean that while overall institutional investment is lower than it has been, its effect on these select areas is disproportionately high.

One well-documented example is retail warehousing, which 10 years ago would have been regarded by institutions as sheds with specialised tenants.

Now, in a chase to get the best performance in an otherwise dull sector, funds and companies are pushing yields down towards a retail yield rather than an industrial yield. This overall dullness, with the odd sparkling patch, all helps to create the anomalies which earnings companies are exploiting.

There are other factors in the market which are helping to create opportunities. Institutions are not just long-term property holders but are now much more active in assessing their portfolios—and acting where necessary. The past few years have seen institutions selling single buildings and even whole portfolios at a rate unsurpassed in the history of their involvement.

In many cases these properties have been too awkward in their characteristics to justify any other type of action by the fund. For the property company with an imaginative refurbishment, re-leasing scheme or the possibility of buying the building next door such properties can be extremely valuable.

Portfolio purchases have also been very profitable, with such companies as British Land managing to secure substantial discounts for wholesale acquisitions. By applying management expertise to the better properties, value is created while other properties can be sold on quickly to release cash and help finance the purchase.

In addition to institutional sales, another source of product for the earnings company has been the property company sector itself. This year has seen a rash of bids for companies, principally by other companies. In the 1970s the institutions were the predator, at a time when the best returns were from buying and holding properties. Nowadays the sleepier traditional company (with often a dated secondary portfolio) is not attractive to institutions. Rather the earnings companies are the buyers. To them such a company provides many attractions and opportunities — intensive management can realise value before disposal, low value but high site cost buildings can be redeveloped, and cash can be readily extracted while high yielding properties can be retained to generate base rental income and to service debt. The major factor behind many of these bids is that the earnings companies can finance the acquisition with highly rated paper. Here the investment company is at a disadvantage for two reasons.

First, traditional companies are rated on a discount to net asset value. Now it is a mathematical, if unpalatable, fact that shares issued at below book value further dilute the equity. The only way an investment company can benefit by issuing paper is to buy something at a greater discount than itself; finance directors please take note.

Second, being valued on a discount to net assets means that the prospect for the share price to advance is limited to, a large extent by the rate of growth of net assets.

On the basis that no one buys £1 coins for £1.10p, a stock on a 15 per cent discount whose assets are growing at 5 per cent can appreciate by 23.5 per cent and no more in a year. For a company with shares rated on earnings this is not so much of a problem. It is a lot easier to issue paper with a mind not to diluting earnings, especially when traditional companies, as a by-product of being valued at a discount to low yielding assets, tend to stand on high price earnings ratios. Earnings can be increased a lot more quickly than assets.

Now, the activities of the earnings companies can be classified as "risky," especially when compared with the traditional view of rental income as risk free and forever.

There are several points to be made about this rather simplistic and homely view.

First, the holding of property in the 1980s has by and large been a poor deal, with rising yields and poor rental growth. Tenants have vacated older properties in droves, leaving erstwhile happy landlords facing huge refurbishment costs; leases themselves are increasingly exhibiting break clauses which make the valuation of a reversion to perpetuity questionable. A property investment company is not a "safe" risk-free investment any more.

Second, although relying on development and/or trading to make money, most earnings companies are managed by people who are, almost by definition, astute people. London and Edinburgh Trust, for example, has so diversified its portfolio of developments, both by type and by method of founding, that no one scheme can hurt the company if one scheme fails.

In conclusion, while it is possible for companies to produce growth in excess of the average by trading property and impossible for investment companies to do this because of the poor relative growth of property, the earnings companies will continue comfortably to out-perform the traditional companies handsomely. Good luck to them.

The authors are property analysts at L. Messel.

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APPOINTMENTS

Group reorganisation at MSAS Holdings

MSAS HOLDINGS, freight forwarding subsidiary of Ocean Transport & Trading, has formed an operating board to handle the group's reorganisation, following its purchase of Jardine Cargo International. The reorganisation will lead to the integration of Ocean's four cargo management and forwarding companies —MSAS, JCI, MCCS and Transflash—and will be complete by January 1 1987. Mr Michael Hauck, previously managing director of MSAS, becomes managing director of the integrated organisation. The operating board includes two new appointments. Mr Robert Hackett, currently MSAS regional director in the US, becomes international services director responsible for promoting cross trading and services throughout the network; and Mr David Daley, previously with Data General, has been appointed human resources director and will handle staff communications, training and development. Mr David Kennedy, formerly MSAS director of market planning, becomes marketing director and Mr Frank Hudson, currently MSAS regional director in the UK, has been appointed director —carrier relations. In the US region, Mr Greg Reske becomes regional director of the combined operations having previously been MSAS director of the South Pacific region. The appointments take immediate effect, with the exception of the directors of international services and carrier relations, which becomes effective on January 1.

deputy chairman. He founded the group with Mr Walker. Mr Dick Kirk, previously deputy managing director. At Iceland Frozen Foods Mr Peter Williams has been appointed systems director. He was administration director. Mr Derek Harris, marketing director, is made buying and marketing director. Mr John Berry, company secretary, joins the board.

★

Mr Don Newman, currently the AGRICULTURAL TRAINING BOARD'S chief training adviser, has been appointed director-designate to succeed Mr Richard Swan on his retirement at the end of the year.

★

WARDLE STOREYS has appointed Mr Peter Wilson to the board. He recently left Marley, where he was responsible for plastics operations.

★

Mr Ray Nethercott becomes chief executive of RICHARDS from October 1. He is a main board director of BSS responsible for marketing, store planning, and development.

★

Mr Len Payne has been appointed as special adviser to the retail and distribution management consultancy group of COOPERS & LYBRAND. Until reaching retirement age, he was a main board director of J. Sainsbury, responsible for distribution, and still retains board level responsibility for systems with the group. Leaving Coopers & Lybrand is Mr Peter Monaghan, who has been appointed chief executive of Storecard, a new joint venture company set up by Citibank Savings and Storehouse, to provide a new retail credit card and other financial services within the Storehouse Group.

★

Mr Keith Goodbody has joined the board of INSIGHT DATABASE SYSTEMS. As manager of Insight's London finance division, he is responsible for the development of bespoke software systems for stockbrokers, banks and financial institutions.

★

DENSITRON INTERNATIONAL has appointed Mr Barry Stevenson as non-executive director. He is an executive director of DRG.

★

Mr Graham E. K. Foster and Mr W. Trevor Robinson have been appointed non-executive directors of TSB ENGLAND & WALES. Mr Foster entered banking in 1949 when he joined Glyn Mills & Co. He retired from Williams & Glyn in 1984 as executive director, and chairman of several subsidiary companies. Mr Robinson is with Manufacturers Hanover Trust as executive vice president and is due to retire shortly.

★

Sir Peter Harrop, formerly second permanent secretary at the Department of the Environment, will join the board of THAMES WATER on October 1.

★

CHANDLER HARGREAVES WHITTALL & CO, specialist Lloyd's insurance brokers, has made the following appointments: Mr David J. Mullen has joined as departmental director, marine; Mr Michael C. Ball has been made assistant director, North American non-marine; Mr Colin S. Andrews, previously group accounting manager with Wilkinson Sword, has been appointed group financial controller; and Mr Guy Morrison has been promoted to assistant director, bloodstock.

★

Mr Michael Edwards, formerly group personnel director of the Lawson Mardon Group, has joined WRIGHTSON WOOD as an executive director.

★

Mr Peter Webber, currently managing director of Imperial Inns, is joining MY KINDA TOWN as managing director.

Top Burmah group posts

From January 1 1987, Mr Jonathan M. Fry, chief executive of Burmah Speciality Chemicals, will take over as chief executive of Castrol from Mr Philip Fairclough. Both Mr Fry and Mr Fairclough are already members of the board of THE BURMAH OIL, and Mr Fairclough will remain a board director until his retirement on March 31 1987. Mr John H. Ellicock, chief executive of Castrol Australia Pty, will become chief executive of Burmah Speciality Chemicals on January 1 1987, and will be appointed to the board of The Burmah Oil that month. Mr Michael J. Cooper, chief executive of Burmah's shipping division, has been appointed to the board of The Burmah Oil.

★

Sir Robert Haslam, chairman of British Coal, has been appointed an advisory director of UNILEVER. Among his other appointments Sir Robert is a director of the Bank of England, chairman of the Manchester Business School and a member of the National Economic Development Council.

★

PEAT MARWICK has appointed Mr Brian Taylor to head a new management consultancy centre in Dubai from where he will co-ordinate consulting services throughout the Middle East.

★

Mr Stephen Marriott has been appointed director of the BRITISH STANDARDS INSTITUTION in succession to Dr Ivan Dunstan who became director general in June. Mr Marriott has been assistant director, standards, since 1985.

★

ICELAND FROZEN FOODS HOLDINGS and its subsidiary, Iceland Frozen Foods, have made the following changes: Mr Malcolm Walker, formerly chairman and joint managing director, has been appointed chairman and chief executive. He is the joint founder of the group. Mr Peter Hinchcliffe, formerly joint managing director, will now be

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
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Theatre

NETHERLANDS

Scheveningen, Circus Theatre. A Chorus Line arrives in Holland after seven years on Broadway (Thur). (55 88 00).

Amsterdam, Stadsschouwburg. Golden Gate Actors Ensemble (Fri, Sat, matinee Sun). (24 23 11).

LONDON

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in *Cleveland, Ohio in 1934.* Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but *David Merrick's* tap-dancing extravaganza has been rapturously received. (836 8108).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the *original film like Shuffle* Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Romeo and Juliet (in Japanese), an important new production directed by internationally known Kabuki female impersonator, Tamasaburo Bando, starring Hiroyuki Sanada and others. Sunshine Theatre, Ikebukuro (987 5281).

Music

BRUSSELS

Palais des Beaux Arts: Augustin Dumay, cello and Jean Philippe Collard piano. Faure Prokofiev, Brahms (Tue); Belgian National Orchestra conducted by Mendi Rodan with Teresa Berganza mezzo-soprano, Berg, de Falla, Montsalvage, Brahms. (Thur).

PARIS

Mark Varshavsky, Cello, Christine Lacoste, Cello, Michael Wladkowsky, Piano: Rachmaninov, Kodaly, Sammartini, Nikiprovetsky (Mon 7pm), Auditorium des Halles, 5 Porte-Sainte-Eustache, Metro les Halles.

Catherine Collard, Piano: One hour with Beethoven (Tue 6.30 pm) Auditorium des Halles.

Orchestre National de France conducted by Marc Andrae, Alain Meunier, Cello: Debussy, Ohana, Liszt (Wed 8.30 pm) Unesco, Salle 1, 125 Ave de Suffren.

Nouvel Orchestre Philharmonique de Radio France conducted by Marek Janowski, Jorge Bolet, Piano: Liszt, Tchaikovsky (Thur 8.30 pm) Unesco, Salle 1.

All these concerts are part of the Paris Festival Estival. 24-hour information in English (47649080).

Christian Larde, flute Marie-Claire Jamet, Harp: Mozart, Pergolesi, Debussy, Ravel (Tue 9 pm). Saint-Severin Church (46338761).

LONDON

London City Chamber Orchestra conducted by Thomas McIntosh. Busoni. Queen Elizabeth Hall (Tue). (928 3191).

London Mozart Players conducted by Jane Glover with Rafael Orozco, piano. Haydn, Mozart and Robert Saxton. Royal Festival Hall (Wed). (928 3191).

Trio Zingara: Mendelssohn, Brahms and Schubert. Purcell Room (Wed). (928 3191).

London Philharmonic Orchestra conducted by Klaus Tennstedt with Maurizio Pollini, piano. Beethoven; Royal Festival Hall (Thur).

Orchestra of St John's Smith Square conducted by John Lubbock with Alexander Baillie, cello. Mozart and Tchaikovsky. Queen Elizabeth Hall (Thur).

ITALY

Milan: Teatro alla Scala: Kurt Masur conducting Richard Strauss and Beethoven (Wed and Thur) (80.91.26).

NETHERLANDS

Amsterdam, Concertgebouw. Hubert Soudant conducting the Netherlands Philharmonic, with Bella Davidovich, piano. Schumann, Bruckner (Mon, Tue). The North Holland Philharmonic with a Viennese evening (Wed, Thur). (71 83 45).

The Hague, Congresgebouw. The Netherlands Chamber Orchestra under Antoni Ros-Marba, with Dezsö Ranki, piano. Nielsen, Beethoven, Voortman. Mozart (Mon). (54 80 00).

Maastricht, various churches. 1986 Euro-Festival of religious music. Pentacost vocal ensemble. Psalms in the Reformation (Tue). Studium Chorale conducted by Eric Hermans. Poulenc, Messian, De Leeuw, Lambrechts (Wed). The Tallis scholars conducted by Peter Philips, Clemens non Papa and contemporaries (Thur). (21 33 00).

VIENNA

Paul Moser, piano. Mozart, Chopin, Haydn. Evangelische Kirche (524466). (Mon).

Kurt Rapf, organ, Heinrich Bruckner, trumpet, Bach, Purcell, Torelli, Rapf, Lichtentalerkirche. (Tue).

Concentus musicus conducted by Nikolaus Harnoncourt with Herbert Tachezi, organ, Paul Esswood, countertenor, Bach, Händel, Augustinerkirche (586 16 70/40). (Wed).

Georges Backes, lieder, Prentiss Dunn, piano, Schubert, Fauré, Williams, Schumann. Bösendorfer Saal. (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): The season opens with Zubin Mehta conducting, Izhak Perlman violin. Sarasate, Chausson, Ravel, Tchaikovsky (Tue); Corigliano, Bartok, Brahms (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostopovich conducting, Arleen Auger soprano. Weber, Mozart, Mahler (Tue); Andrew Litton conducting, Richard Stoltzman clarinet. Berlioz, Corigliano, Rachmaninov (Thur). Kennedy Center (254 3776)

TOKYO

NHK Symphony Orchestra, conducted by Wolfgang Sawallisch, Stravinsky, Schostakovich. NHK Hall. (Wed, Thur) (465 1780).

The Concertgebouw Orchestra (Amsterdam), Mozart, Bruckner (Wed) Ravel, Debussy, Dvorak (Thur). Hitomi Memorial Hall, Showa Women's College, Sangenjaya. (571 1689).

Pascal Devoyon (piano): Mozart, Chopin, Brahms. Hitomi Memorial Hall. Showa Women's College, Sangenjaya. (237 9990).

Opera and Ballet

LONDON

English National Opera, Coliseum: The new production of The Mikado by Jonathan Miller, with Eric Idle as Ko-Ko and a whole troupe of ENO regulars in other roles, has its first preview this week. Also in repertory: revivals of another Miller production, The Marriage of Figaro, with Mark Elder conducting and a cast including John Tomlinson, Catherine Pope, Valerie Masterson, and Jacek Strauch; and of John Copley's production of Il trovatore, weakly restaged by Keith Warner, and with an only fair-to-middling cast whose strongest members are Kenneth Collins and Ann Howard as Manrico and Azucena.

PARIS

Cinderella. Opera sung by children to Peter Maxwell Davies's libretto and conducted by John Burdekin at the Opéra Comique, Salle Favart.

WEST GERMANY

Hamburg, Staatsoper: (Opera house closed for renovations. All performances in Hamburg Musikhalle): Verdi Requiem, conducted by Gerd Albrecht, with Awilda Verdejo, Alicia Nafe, Denes Gulyas and Kurt Moll.

Berlin, Deutsche Oper: Falstaff is revived with Karan Armstrong, Ingvar Wixell and Ann Murray. The highly acclaimed Götz Friedrich production of Götterdämmerung with Catarina Ligendza, Cheryl Studer, Hanna Schwarz and Rene Kollo.

Frankfurt Opera: Hans Zender's Stephen Climax will be offered for the last time this season. Das Rheingold has a particularly strong cast with Cornelia Berger, Sandra Walker, [illegible]. [illegible] is again offered. Anja Silja's masterly Cassandra leads a strong cast. Die verkaufte Braut rounds off the week.

Stuttgart, Württembergisches Staatstheater: Fidelio has fine interpretations by Lisbeth Balslev, Wolfgang Schöne and Wolfgang Probst.

ITALY

Rome, Teatro Argentina: Peter Brook directs his version of the Bizet/Merimée story (first produced in Paris five years ago), under the title La Tragédie de Carmen. (637.54.45).

Milan, Teatro Alla Scala: The Tokyo ballet dancing Fokine's Les Sylphides (with Carla Fracci). (80.91.26).

NETHERLANDS

The Georgian State Ensemble with folk dance and song from the Caucasus. Wed in Scheveningen, Circus Theatre (55 88 00), Thur in Eindhoven, Schouwburg 11 11 22).

Amsterdam, Stadsschouwburg. An evening of modern ballet from the Nederlands Dans Theater (Mon to Wed). (24 23 11).

Scheveningen, Circus Theatre. Funny Feet, an American ballet comedy choreographed by Bob Bowyer (Mon, Tue). (55 88 00).

VIENNA

Staatsoper (51 444/2655): Die Schwarze Maske by Penderecki; Lucia di Lammermoor conducted by Fanni with Gruberova, Winsauer, Miller, Kraus; La Gioconda conducted by Fischer with Marton, Semtchuk, Lipovsek; Der Rosenkavalier conducted by Kout with Tomowa-Sintow, Walther, Wise, Lotte Rysanek; Il Trovatore conducted by Bareza with Zampieri, Obraztsova.

Volksoper (51 444/2657): Madame Pompadour; Polenblut; Schwanda der Dudelsackpfeifer; Orpheus in der Unterwelt.

NEW YORK

New York City Opera (NY State Theatre): The autumn season includes this week with Madama Butterfly, the Marriage of Figaro, Faust, Carmen and Norma. Lincoln Center. (870 5600).

Out-of-Towners Series (Dance Theater Workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Lori Trios Ringbarkus from Melbourne performing Rampant Stupidity (Wed, Thur). 19th St w. of 7th Av. (924 0077).

TOKYO

Covent Garden Royal Opera with Kiri Te Kanawa, José Carreras, Jon Vickers. Turandot, Carmen. Tokyo Bunka Kaikan. (723 2356).

The State Leningrad Kirov Ballet: Ballet Concert. Hitomi Memorial Hall, Showa Women's College, Sangenjaya. (235 2031).

Pina Bausch and Wuppertal Dance Theatre. Café Müller and Le Sacré du Printemps. National Theatre. (580 0031).

Exhibitions

PARIS

What is Modern Sculpture?: Rather arbitrarily, the American art critic Margit Rowell answers by excluding Rodin and Maillol from the 1900–1970 period. Her criterion is a break with tradition, and tin, welded wire, plywood and string are next to sculptures in bronze and marble. There are some splendid works by Picasso and Matisse, Brancusi and Giacometti. The exhibition continues from the 5th floor to the forum in the basement with Beuys and Arte Povera and is unspeakably depressing. Centre Georges Pompidou, Closed Tue (42771112) Ends Oct 13.

Mediaeval art in Paris: The abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on three blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art: goldsmith's work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of mediaeval art. Musée de Cluny. 6 Place Paul-Painlevé, Métro Odéon.

LONDON

Hayward Gallery: Dreams of a Summer Night – an exhibition of paintings at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the First World War. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was an arbitrary phenomenon but the notable product of a distinctive national and regional character. Ends Oct 5; then Düsseldorf and Paris.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893–1966). The Passion: 60 huge charcoal drawings by the German expressionist covering 1933–34. Ends Oct.

Essen: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694–1733 of great Electors are on loan from Dresden's state cultural collections. Ends Nov 2.

Nuremberg, Germanisches National-museum, Kornmarkt 1: Nuremberg, from 1300 to 1550. Gothic and Renaissance Art. About 300 main works of Nuremberg's grandest age. Ends Sept 28.

Munich, Lenbachhaus, Luisenstrasse 33: Hommage à Beuys: 69 pictures late works by Joseph Beuys (1921–1986). Ends Sept 28.

Cologne, Wallraf Richartz Museum, Museum Ludwig, Bischofsgartenstraße 1: The new museum, built by the German architects Busmann and Haberer, will open this week. The initiative for the museum came from Peter Ludwig, one of the leading German collectors of Modern Art, who has donated about 300 pieces. The museum is devoted to 20th century art: French, German and American painting, including abstract art after 1945, and pop art. Also German art from the 60s to the present. Ends Nov 30.

BRUSSELS

Ghent: Chambres d'Amis, 51 international artists showing in 51 private houses. Tickets, map etc from Modern Art Museum, Ghent (091/21 17 03). Ends Sept 21.

When the posters went to war: American posters through the two world wars. Musée Royale d'Art et Histoire. Ends Oct 12.

ITALY

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt tech-

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THE ARTS

Cinema/Ann Totterdell

Behind the joy lurks a fear just as great

Betty Blue directed by Jean-Jacques Beineix

The Decline of the American Empire directed by Denys Arcand

Sweet Liberty directed by Alan Alda

The Fringe Dwellers directed by Bruce Beresford

At Close Range directed by James Foley

Day of the Dead directed by George A. Romero

Invaders from Mars directed by Tobe Hooper

There is a rage to Jean-Jacques Beineix's new film *Betty Blue* that we have not seen before. Maybe it is a reaction to the way the world has treated him: adulation for his first gorgeous ragbag of a film, *Diva*, rejection after the stylistic story-swamping experimentation of *The Moon in the Gutter*. Or maybe he has simply learned a little more about life. What matters is that Beineix is back with a bang — a film alive from the moment it starts, with all the old Beineix vitality and playfulness channelled into a work of maturity and heart.

His new heroine is a young French girl who breezes into the life of Zorg, a repairman and closet novelist. From the moment she realises the talent of her lethargic lover she cannot rest. To put fire under him she literally razes his home to the groud, forcing him to move to Paris and the acclaim she is convinced waits for him there. Life in Paris cannot possibly fulfil Betty's expectations, indeed it does not even fulfil Zorg's; publishers heap scorn on his book and the pair find themselves working in a pizza restaurant until Betty attacks a nagging customer.

On they move to a country town, there to run a piano store; still pursued by rejection slips and inflamed by Betty's hunger for life.

For Betty, life is an adventure where you never look back, perhaps because you know that behind the joy lurks a fear just as great. It takes only one crushing disappointment to turn things round, shifting the film into the darker gear it has been hinting at between smiles.

Sexy, funny, stimulating, exciting and sad, *Betty Blue* propels us along at a strong, controlled pace. But behind all that exuberance and wit (preserved in excellent sub-titles) is a calm inner core that makes it a tremendously assured piece of film-making.

Beineix's images seem to glow with his pleasure in his subject. He creates touchingly memorable moments — a clumsy, gentle embrace in the country when Zorg produces a lighted birthday cake from the boot of his car—but moments of comedy linger too: Zorg and a friend drunk and helpless with laughter; an irate policeman suddenly bursting into a sentimental lullaby; Zorg and Betty contemplating the task of painting 500 bungalows alone.

Beineix has found the perfect Betty in newcomer Beatrice Dalle, a gangly beauty with a luscious mouth and irrepressible energy. She is nicely coupled with the mellow acceptance of Jean-Hugues Anglade (the roller-skating thief in Luc Besson's *Subway*) as Zorg. The couple's differences are interestingly mirrored in the other couples they meet—the zany pizza house proprietor and his saner girlfriend, the humdrum grocer and his nymphomaniac wife—even the volatile singing policeman and his philosophical partner.

The world is not big enough to contain too many people like Betty, but everyone should have someone like her in their lives—at least for a little while.

Betty Blue is the sort of film that restores your faith in the cinema and makes you despair all over again that English language movie makers will ever be as comfortable, dealing with sex, as the Europeans. A film that falls interestingly between the two worlds is *The Decline of the American Empire*, a French-Canadian production made in French but with characters geographically and emotionally closer to North America than Europe.

Only metaphorically concerned with the collapse of civilisation, the film is a wryly amusing reflection of sexual attitudes: the men discuss sex among themselves; elsewhere their wives and mistresses do the same. Not surprisingly their stories and attitudes do not quite dovetail. Together they find it easier to discuss food and the college where they all teach or study — until one of them calmly demolishes their illusions.

Denys Arcand's direction may lack sparkle, and subtitles may

Jean Hugues Anglade and Beatrice Dalle in "Betty Blue"

be a disadvantage in such a dialogue-heavy film, but this is a surprisingly absorbing piece.

A lighter view of academics and sex is revealed in *Sweet Liberty*, a romantic comedy starring its writer and director, Alan Alda. Alda plays Michael Burgess, a history professor who has written a popular account of the American Revolution about to be filmed in his home town. The effect on his ego of the corruption of his book into an historical romp, the defection of his girlfriend, and his own seduction by the film's female lead (Michelle Pfeiffer), leaves its mark on Michael — though he also succeeds in leaving his mark on the film.

Full of outrageous and (probably) mostly true comments about Hollywood, the action nevertheless leaves you on the side of frivolity rather than pomposity when the academic takes on the Philistines. Indeed the Philistines win both on screen and off as far as I am concerned, because what saves this rather earnest comedy from dullness is not Alda's central theme of the rigid self-satisfied hero learning to be a little more flexible, but all the incidental fun, supplied almost entirely by Michael Caine, who plays the larger than life star of the film within the film, whose showing-off and amorous adventures are the main cause of the professor's discomfort.

Like Jean-Jacques Beineix, director Bruce Beresford has had his share of praise and condemnation. *Breaker Morant* was a success which led to his two American films, *Tender Mercies* and *King David*, the latter an epic bore that has sent him home to Australia to touch cultural bases.

His latest film, *The Fringe Dwellers*, is modest in scope and budget. It concerns the Comeaways, an aborigine family living a deprived but familiar life in a shanty town who are persuaded to rent a house on a new estate by their ambitious daughter Trilby.

For Trilby it is a move towards dignity and independence; for most of the family it is more like an exile.

In showing the family's encounter with white authority and patronage Beresford himself seems unable to avoid showing them in a slightly patronising light—warm but hopelessly feckless people. If the petty restraints of modern life—like remembering to pay the rent—are beyond people like the Comeaways it is the fault of the white community which has given them no pride or status in the land that was originally theirs. The aborigines may not be as seriously threatened as blacks in South Africa but their condition is similarly hopeless: Second class citizens not considered worth educating, nor employing in anything other than menial, unrewarding jobs. Though their defeatist attitudes are understandable they are also exasperating. It is not only rage at their oppressors that Beresford should be expressing, but rage at their own lack of anger.

Ironically demonstrating that at least a handful of aborigines can find interesting work, the excellent cast is almost exclusively aborigine, with an outstanding performance by Justine Saunders as the loving, put-upon mother, and Kristina Nehm as the daughter desperate to avoid making the same mistakes.

Deprivation in a comparatively affluent society is a subject that fascinated director James Foley in an extraordinary, true story of a criminal who took out a contract on his own son when he realised the boy might turn state's evidence against him. *At Close Range* is a fictionalised treatment which casts Sean Penn as the underprivileged kid, at first seduced by his father's (Christopher Walken) anarchic attitude to property, swiftly realising that the charm hides a ruthless killer. The story dwells on his own temptation to make some easy money, and the growing distaste and fear that tests his instinctive loyalty. Set against some ravishing scenery (Tennessee masquerading as Pennsylvania) the film has a gritty atmosphere and deals with some powerful conflicts.

Its consistently bleak approach defeats it in the end. Made all on one emotional level—even the romance is gloomy—the timeless themes turn out to be broad moral issues made esoteric.

Cult director George A. Romero is definitely an acquired taste. His latest film *Day of the Dead* has a handful of scientists and soldiers uneasily inhabiting a subterranean shelter in a world overrun with zombies who fuel themselves with living flesh. The inability of the humans to unite even in the face of such an overwhelming threat is a social comment of some kind, as are endless scenes of ripping bodies and spilling guts. Some people find this sort of violence cathartic. Others will spend more time looking at their knees than the screen; a tribute — of sorts — to Tom Savini's horrifyingly good special effects.

More great special effects are wasted for different reasons in *Invaders from Mars*. This remake of a 1953 pot boiler starts with a small boy, David (Hunter Carson of *Paris, Texas*), as the sole witness of a UFO landing. Soon his parents start acting strangely. Could they be in the control of whatever alien has landed? Is anyone going to listen to him?

The film may have the humour so lacking in *Day of the Dead*, but the superb Martian creatures and their habitat are lost on a rather mechanical story. The biggest surprise turns out to be that the aliens are not the friendly curious visitors which director Tobe Hooper's former association with Steven Spielberg might suggest (Hooper directed *Poltergeist*). "Can't we just talk to them?" David pleads at one point. Luckily for him, no one is listening. ET went home long ago and, like the bugs in *Aliens*, these nasties obviously represent just another bunch of Libyans to Cowboy America. In 1986 as in 1953 the motto is shoot first, ask questions later.

Venice Film Festival shows assorted follies and clinkers

Just because you are feeling paranoid, goes the saying, it does not mean people are not out to get you. Those who survived the 43rd Venice Film Festival ended up feeling like characters from *I Am A Fugitive From A Chain Gang*. Though they all had to wear badges indicating which class of prisoner they were (blue for daily critics, gold for periodical and so on), the shortage of venues meant that many were still denied screenings they should have been allowed to see.

Others again were crushed against crush barriers or harried by officials obsessed with observing every item of spurious red tape. One distinguished French critic was chased down an aisle by a martinet doorman who thought he had the wrong badge. (He did not.) "Carbinieri," cried the doorman, in a vain attempt to summon police assistance, and just to round things off, a large proportion of the films were not worth seeing anyway.

This is the last year of Gian Luigi Rondi's contract as festival president. Under him the event has gone from bad to worse. A Venice that hauled itself out of the doldrums six years ago, after a decade of under-funding and near-collapse, is now moving back towards the doldrums. It should not be allowed to reach them. The Venice Lido is a wonderful setting for a film festival. Italian enthusiasm for cinema is a perfect fuel to assist take-off and provide staying power, and the festival's timing, at the far end of the season from Cannes, allows it virtually a free hand in seizing the best late-year films.

This year's free hand, however, seized an assortment of follies and clinkers. By what possible criterion does Venice select films like Finland's *Linna* (Kafka's *The Castle* with orgies à la Ken Russell), Jacques Doillon's *La Puritaine* (pretentious truth games between theatre director Michel Piccoli and prodigal daughter Sandrine Bonnaire), Henning Carlsen's *The Wolf at The Door* (Donald Sutherland plays Gauguin and loses) or Mai Zetterling's *Amorosa*.

In this last, the Swedish director fashions a bio-pic about writer and fellow Swede Agnes von Krusenstjerna (Stina Ekblad), who had mental problems while promoting the cause of feminism in the early years of the century. Intriguing subject but pinbrained treatment. There are rantings, ravings, sex and straitjackets, mostly shot in a gilded, soft-focus style more suited to a margarine commercial.

Heaven be praised for Bertrand Tavernier's *Around Midnight* and Maria Luisa Bemberg's *Miss Mary*. The two best films in the festival exerted an antithetical charm. Tavernier's inky mood piece unfolds in a studio-built Paris designed by the grand old man of art directors Alexandre Trauner (*Les Enfants du Paradis*). We follow veteran American jazz player Dale Turner (Dexter Gordon) through the last weeks of his life. A dying maestro of the tenor sax, he drinks too much, talks too much, lives too much and speaks in a voice like burnt-out sandpaper. (He makes Louis Armstrong sound like John Gielgud.)

Tavernier gives his hero a great many smoky jazz numbers—Gordon is a real saxophonist—and he also gives him a young French acolyte (Francois Cluzet), who begins as besotted idolater and ends as nurse, friend and confidant. The film is sad, affectionate and darkly lyrical. It also has the muscles of real tragedy. All the more impressive for being felt but not ostentatiously flexed.

Argentina's *Miss Mary*, shown out of competition, is directed and co-written by 60-year-old Maria Luisa Bemberg, who did not direct a feature film before this decade. This, her fourth, is an upper-class black comedy of immense grace and wit.

Julie Christie is English governess to two ungovernable sisters living in an Argentinian mansion in the war years. Dad strikes tragic poses at the piano and sometimes plays it. The girls hit puberty with an obstreperous thud, and occasionally there is a picnic, a shooting attempt or a conversation about the war.

If you mixed *Heartbreak House* with *The Discreet Charm of the Bourgeoisie*, you might approach the right flavour. Acidly wise and witty, it depicts a society in which, even in time of apocalypse you still dress for dinner.

If there were a golden dachshund award at Venice for the longest movie with the shortest likely box office legs, it would have to be shared between Theo Angelopoulos's *O Melissokomos* and Luigi Comencini's *La Storia* (History). The first is a 140-minute parable about the old and new Greece, with Marcello Mastroianni as an ageing beekeeper stung into passion by a young girl (Nadia Mourouzi): effortlessly self-important and laborious. The second is a lame attempt at a short Italian *Heimat*: a four-hour TV mini-series—reportedly due for shortened cinema release—in which Claudia Cardinale trudges through World War 2 and all its accreted movie cliches. (We even have the scene of the token US soldier handing a chocolate bar to the token Italian kid!)

The Golden Lion for best film, widely expected to place its paw on Tavernier's movie, went to another French offering: Eric Rohmer's enjoyable if hardly momentous *Le Rayon Vert* which I reviewed last week. The runner-up special jury prize was sliced in half, shared between Russia's *The Wild Dove*, a sort of Soviet *Birdy*, visually striking but dramatically banal, and Italy's *Storia d'Amore*, a tale of love and madness, dramatically striking but visually banal.

The Italian film's fine leading lady, Valera Golino won the best actress prize, the only fully deserved award on the list. In short, Venezia XLIII came in like a lamb and went out like a lost sheep. Perhaps it will get its act together in 1987.

Nigel Andrews

Continued from Page 16

nology, and to try to convey speed on canvas. More than 300 works have been lent. Ends Oct 12.

NETHERLANDS

Eindhoven, Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 9.

SWITZERLAND

Lugano: Villa Favorita: Goya In Private Spanish Collections: 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa di Chinchon, considered the best of Goya's paintings of women. Ends Oct 19.

SPAIN

Madrid, Prado Museum. French, Spanish and Italian paintings of the 18th century. This exhibition from the Prado collection includes works not seen for 15-20 years as well as recent acquisitions. Tiepolo, Bayeu, Maella, Paret, Juan Bautista, Mengs. Palacio de Villahermosa, Plaza de las Cortes 8. Ends Sept 30.

NEW YORK

Metropolitan Museum of Art: 40 Impressionist and early modern paintings from the Hermitage in Leningrad and the Pushkin Museum in Moscow include works by Picasso, Matisse and Chagall rarely seen in the West. Ends Oct 5.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

Museum of Modern Art: Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in a comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

Cooper Hewitt Museum: Hollywood, Legend and Reality celebrates the history of America's greatest popular culture in all its excesses and intimacies through the various crafts like production, direction, editing and special effects. Ends Oct 25.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

Hirshhorn Museum: More than 130 paintings, sculptures and drawings from a 5,300 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Ilem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 16.

TOKYO

Turner (1775-1851): Over 100 oil paintings and water colours in one of the most important Turner exhibitions held overseas. Loans (20 from London's Tate Gallery) include Rain, Steam and Speed from the National Gallery, and Lifeboat and Manby Apparatus, courtesy of the Victoria and Albert Museum. Tokyo Museum of Western Art, Ueno Park. Sponsored by Nihon Keizai Shimbun and British Council. Ends Oct 5. Closed Mondays.

Alastair Muir

Jeremy Irons

Richard II/RSC, Stratford

Michael Coveney

Just as Antony Sher's *Richard III* was set in an emblematic mediaeval cathedral, so Jeremy Irons' *Richard II* is contained to far less devastating effect, in an emblematic mediaeval castle, ivy trailing across the walls to convey the notion of the garden of England. The designer for both shows, William Dudley, has added here an element of enchantment. The sun-baked parapets and turrets are scaled down to human height, the rise and fall of the houses of York and Lancaster represented in the decorated ecclesiastical thrones which slide up and down stage. The steady blue sky contains a zodiacal arch. The costumes are laundered and picturesque.

This is the Shakespeare history play as a pretty pageant, the sort of occasion rendered superfluous by the RSC's own treatment of history cycles since the wars of the Roses breakthrough. John of Gaunt's lament for a leased-out England, not a concept totally foreign to a contemporary audience, sounds like a lecture to a small boy who has messed up his toy cupboard. Queen Isabel's dreadful French accent is dropped by Imogen Stubbs the minute her husband is on his way to prison. Why? Michael Kitchen's Bolingbroke, without the long haul of *Henry IV* ahead, can create a sly, faintly psychotic villain, but suggests little of what lies behind his mission of vengeance, nor explain at the end his sudden urge to visit the Holy Land.

The RSC has treated the play out of a broader context most successfully in the John Barton version, Ian Richardson and Richard Pascoe alternating as king and usurper in 1973. Barry Kyle's production is fatally weak in its theatrical expression and does nothing to rival the central symbiotic relationship established in that earlier production.

The staging is, in a word, obvious. Hooded gardeners clean their scythes after Richard's murder at Pomfret, itself a messily presented fracas of clanking chains and inaudible lines. Mr Dudley's circular tower at Flint Castle rises to support the regal apparition espied by Bolingbroke and later serves as the prison and loading bay for Richard's coffin. It is all cleverly worked out but rather too neat.

Mr Irons wears a look of faint surprise throughout the evening, as if wondering why anyone should have talked him into believing Richard a good part. And without attending to the aspect of a monarch going down the drain with his fellow countrymen, so it proves. The tear-stained martyr act is suddenly delivered at the abdication, whereas David Warner in his memorable weakling Richard of 1964 throbbed with misgiving and uncertainty throughout the performance. Mr Irons inspects a face bereft of majesty in the mirror and at least wakes up to his own humanity. Until then, he is a privileged unthinking monarch, capriciously absconding to the Irish wars after callously appropriating John of Gaunt's wealth.

There are grace notes of natural authority to the performance, but nothing of pressing urgency. Bolingbroke's usurpation is interestingly weighed against his instinct to quit, and Mr Irons concedes the throne with a shaking hand and sarcastic quip ("What *must* the king do?"), having ripped off the crown when talking of worms and graves and epitaphs.

This mournful Christ-like appearance is of immediate contrast to the power brat demeanor of Bolingbroke, whom Mr Kitchen puts through a vocal pressure cooker and sideways movement class. He spits and lurches through the evening like a lizard scampering in a hot climate. This is an odd, glinting character, smirking through a right fist which continuously and slikily spars with his own nose. The actor is not one of nature's Bolingbroke's, but he is far too interesting to make you complain about that. He manages to reconcile the viciousness of Bolingbroke with his own instinct for deferential vulnerability.

Apart from Mr Kitchen, and the outrageous Mowbray of Richard Moore positively exploding at the treacherous accusations, you do not understand why the characters behave as they do. The Aumerle plot against Bolingbroke, for instance, is played desperately for laughs before meaning. Bernard Horsfall's dithering Duke of York is a reasonably convincing performance until he is suddenly buried in a welter of tired comic business as he and his wife go skidding on their knees before Bolingbroke.

The sense of a nation on the decline as rebels muster in the north and descend to Gloucestershire goes missing in this fixed setting. One is not asking for cinematic naturalism, but unless the play is treated as a documentary tragedy in a nation on the skids, one loses much of the poetry and most of its heart.

There are some jeunty anthems and chanson snippets composed by Stephen Oliver, but they are curiously dislocated from the action. Among a lack-lustre supporting cast—Brewster Mason makes a fluffy meal of Gaunt, and there are some grotesque minor contributions—I note a sturdily impressive Hotspur from Nethaniel Parker who could obviously progress quite happily into the *Henry* plays.

As so often in self-conscious productions, the spirit of coarse theatre hovers dangerously in the wings. My favourite manifestations on Wednesday were York's catching of a sleeve on a door handle as he strode righteously towards Bolingbroke, and Lord Fitzwalter's cool negotiation of deposited challenges as he lifted a leg very much too high over a bevy of gloves without, most deliberately, looking down.

BBC Symphony/Albert Hall

Richard Fairman

The last night of the Proms is only a day away. This year's ringmaster will be Raymond Leppard, taking the spotlight for the first time and promising to control the crowd in the arena with the best wiles of a Cambridge lecturer.

For Wednesday's concert, however, no such skills were needed. Leppard was in charge of a comparatively sober programme, its highlight being four of Duparc's most expansive and sensuous songs, given with orchestra. The composer arranged these himself and made a marvellous job.

With the conductor considerately keeping the orchestra down, Felicity Lott was able to make sure that all the words were clear. Her limpid and sensual soprano is almost ideal for this music. Duparc's "L'invitation au voyage" becomes hard to resist when its temptations are described with this kind of vocal beauty. If only she could find a greater variety of tone colour and intensity, the full measure of these pieces would be hers to perfection.

The problem for anybody singing the songs with orchestra is one of scale. In a recital the singer can risk the most subtle inflexion of the words and still be sure the effect will tell, whereas a full orchestra demands large-scale singing to match and the detail of Duparc's original ideas soon gets lost. By coincidence the other solo work, Berlioz's *Reverie and Caprice* played by violinist Rodney Friend, was also an arrangement of a vocal solo.

After the interval Brahms' First Symphony pushed the evening further towards sobriety. There is a good deal more excitement to be had from the work than this: more tension in the majestic introduction, a more titanic struggle in the argument of the outer movements. Too much sounded merely *gemütlich*. In this, as elsewhere, the BBC Symphony Orchestra responded with the careful and lyrical playing that Leppard seemed to be demanding of them.

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Hard choices for Airbus

THE BREAKDOWN of talks between *McDonnell Douglas* of the US and Airbus Industrie about collaborating on development of a new generation of long-range airliners obliges the European consortium and its government shareholders to face up to some tough decisions on the future of the Airbus programme.

In theory, the idea of forming a common front to attack a highly profitable sector of the market dominated by Boeing of the US is appealing to both McDonnell Douglas and Airbus. In practice, the talks seem to have foundered on the refusal by either manufacturer to sacrifice its own project.

European governments will, presumably face renewed demands for the several billion dollars needed to fund the Airbus's simultaneous development of its planned A340 long-range airliner and A330 short-to-medium haul model. There is a danger that, in the process, the political ties binding together Europe's most successful exercise in industrial collaboration may be strained to breaking point.

Of the consortium's three major shareholders West Germany is, unusually, the most enthusiastic about coming up with the extra cash. This is partly due to the strong interest expressed by Lufthansa, its national airline, in the A-340; probably more important is Bonn's interest in using the Airbus project as a vehicle to strengthen West Germany's industrial capacity in both commercial and military aircraft.

Profit margins

Though the French Government faces acute budgetary pressures, national prestige and the need to preserve jobs at the Airbus assembly plant in Toulouse will probably mean that the money will be found. However, the British Government has indicated that it is prepared to put up only part of the £500m which British Aerospace says it needs to develop the wings for the A330/340.

Unless BAe could raise the rest of the money privately—which appears doubtful—it would have to surrender the wing contract to another manufacturer, though reports that Britain might drop out of the Airbus programme entirely have been denied.

Airbus Industrie argues that, to compete successfully with Boeing for orders, it needs to be able to offer a "family" of aircraft.

That Airbus needs to expand its range to remain competitive is indisputable. However, its strategy of going head-to-head with Boeing in the long-range airliner market entails huge commercial risks, which will be all the greater if McDonnell Douglas presses ahead with its rival MD-11 project.

Because the MD-11 will be based on the existing DC-10 airframe, development time should be relatively short: it may well be available before 1990. Though Boeing has no direct competitor yet for the A340, it could also move rapidly to develop a derivative of its 747 series. Moreover, Boeing's generous profit margins at the top of its range allow it ample scope for defensive price cutting.

Independent force

The A340, by contrast, will have to be developed from scratch and is unlikely to be available before 1992 at the earliest. The benefits of standardising components on the A330 and A340 also remain to be proven. Some industry experts believe the cost savings will be much smaller than Airbus Industrie claims and argue that the approach could result in unhappy design compromises on both aircraft.

Airbus Industrie insists that many airlines will be prepared to wait for the A340. However, there is an equally large risk that it will be the last entrant into a fiercely competitive market which has only room for two participants.

The sensible course is for Airbus Industrie to offer to drop the A340 and to collaborate on the MD-11. In return, it should invite McDonnell Douglas to co-operate on the A330, which would neatly fill the gap in the US manufacturer's range. Such collaboration would be commercially far more realistic than Airbus Industrie's grand ambitions to become an independent force.

That would, of course, require the support of the programme's government backers. Until now, they have tended to sit back, allowing Airbus Industrie a free rein in negotiations with McDonnell Douglas. It is high time that they sought to iron out their differences directly and assert their prerogatives as shareholders.

UPHEAVAL AT CBS

Paley's cigar shop back in business

By William Hall in New York

William Paley, the 84-year-old founder

DAN RATHER, America's best known TV news anchorman, had just 23 seconds left on last Wednesday's prime time CBS evening news programme when he broke the surprise news to the 17m Americans watching, that he had got a new boss.

Mr Thomas Wyman, the embattled 56-year-old chairman and chief executive, had quit after losing a power struggle with Mr William Paley, the 84-year-old founder of CBS, and Mr Larry Tisch, the Wall Street financier and biggest shareholder in CBS. The 63-year-old Mr Tisch, who heads Loews Corporation, a $6bn conglomerate, has taken over as acting chief executive, and Mr Paley, who has been described as the father of modern broadcasting, has been brought out of retirement to be the acting chairman.

The announcement came after a marathon board meeting at CBS "Black Rock" headquarters in Manhattan and is a climax to almost two years of upheaval at what was until recently America's premier TV network. "What we have here tonight is the latest chapter in an ongoing saga of intrigue, big money and *corporate politics, the stuff that* TV dramas are made of," was how the local CBS affiliate in New York summed up the outcome of Wednesday's 9½ hour CBS board meeting.

On Wall Street, where analysts have estimated that CBS shares would be worth between $200 and $300 in any takeover battle, the initial reaction to the news of the boardroom coup was less than enthusiastic. CBS shares fell by $3½ on Wednesday, and Mr Joseph Fuchs, a media analyst with Kidder Peabody, says that there is a "definite downside risk near term" if speculators seek to unload their positions now that CBS is no longer a prime takeover target. Mr Tisch and Mr Paley, who together control one-third of CBS's shares, stress that they are intent on keeping the company independent and will step down as soon as a suitable successor to Mr Wyman is found.

However, news that the escalating power struggle within CBS had finally been settled was welcomed both within CBS itself, where several senior correspondents have been highly critical of the management, and in the rest of the broadcasting industry, which has watched with concern the steady blurring of entertainment and news judgment by a network which produced legendary newsmen like Edward R. Murrow and Walter Cronkite, who still sits on CBS's board of directors.

Mike Wallace, a veteran presenter of CBS's famous "60 minutes" weekly news programme said everyone welcomes having "the man who built the thing in the first place back in charge" and Mr Morley Safer, another CBS correspondent, said "the signal to us in the trenches is that we are going to do business as we once did it, in a very classy and thoughtful way."

The turmoil at CBS is the most dramatic evidence to date of the upheaval in the US broadcasting industry. A combination of fierce competition from new broadcasting mediums such as cable TV and the video-cassette-recorders, a weakening advertising market and the growing importance of independent US TV stations which do not owe allegiance to the big three TV networks has taken a severe toll on the US TV broadcasting majors.

Advertising revenues, the life blood of network TV which had been growing steadily for years, fell by 2.6 per cent last year, reflecting the slowdown in the US economy and the growing competition from rival advertising mediums. For the first time in recent memory, the networks are having to cut their advertising rates and a prime time spot that commanded over $100,000 two years ago, is now selling for under $85,000. Six years ago, the big three TV networks could deliver their advertisers 90 per cent of all US homes at prime viewing times. Today, the percentage has dropped to 75 per cent and is falling.

The big US TV networks have always been renowned for their large staffs and rather generous life style and the tougher environment in which they operate has forced them to take a much closer look at their overseas costs, and staff lay-offs are no longer uncommon. At the same time, the merger wave in corporate America has swept into the broadcasting industry as investors sensed that despite the industry's problems there was considerable hidden value in US TV networks.

Last year, Capital Cities Communications, a fast growing broadcasting group, bought ABC, the number three network, for $3.5bn and installed one of its own men to run a more cost-conscious network. Then this year General Electric bought RCA for $6.3bn and in so doing acquired NBC, currently the most successful of the big three.

In many respects CBS is the most vulnerable of the three networks. For years it dominated the US TV networks with long running shows like Gunsmoke, Mash and the Ed Sullivan Show, but CBS has now been overtaken in the prime time TV rating war by the smaller NBC and is now stuck in second place ahead of ABC which is working hard to restore its fortunes under its new management team.

Its long-admired news department has lost its dominance in the industry and the group recently cancelled its morning news programme after changing anchor persons, it seems to viewer, more times than the New York Yankees have changed managers. The turmoil at CBS has been heightened by well publicised tales of dissension among some of its most famous correspondents.

Earlier this week, Newsweek magazine published a cover story titled Civil War at CBS which described the company as a financially ailing, deeply demoralised organisation grappling with dissension. The magazine included a hard-hitting interview with Mr Bill Moyers, a respected veteran commentator who has handed in his resignation after decrying the steady decline in CBS' news standards.

"Pretty soon, tax policy had to compete with stories about three-legged sheep, and the three-legged sheep won. There were periods when I thought the British Royal Family had signed on as correspondents, so frequent were their appearances," said Mr Moyers, who believes that CBS was guilty of trying to "titilate instead of illuminate."

The Newsweek story, which included a report that CBS had approached Phillip Morris and Westinghouse Electric to see if they were interested in rescuing the company, is the climax to months of speculation about CBS' future. Its problems have been well publicised and several corporate predators have been circling the group since early 1985.

The *first sign that CBS was* in serious trouble came early last year when Mr Jesse Helms, a right-wing senator from North Carolina led an attempt to seek control of the company and end the alleged liberal bias of CBS's news *division. Mr Helms* wanted his conservative followers to buy enough shares in CBS so that they could become "Dan Rather's boss." The campaign flopped, but on Wall Street the arbitrategeurs sensed that the company was "in play" which was confirmed some months later when Mr Ted Turner, the entrepreneurial Atlanta TV magnate, launched a "junk" bond financed takeover for CBS which stunned the broadcasting establishment.

"I think they are programming irresponsibly and morally tearing the country down," said Mr Turner who argued that the liberal-minded presidents of the big three US TV networks were "guilty of treason." Although many people found it hard to take Mr Turner and his bid seriously, the move unsettled CBS and forced it to take steps which ultimately led to Mr Wyman's downfall.

In July the company announced a massive recapitalisation plan under which CBS bought back over one-fifth of its shares and loaded itself with debt. While this helped defeat Mr Turner it made CBS more financially vulnerable at a time when the revenues of its major business were slipping.

Shortly after, CBS announced its recapitalisation plan last summer, Mr Wyman approached Loews Corporation, a sprawling conglomerate controlled by Mr Larry Tisch and his brother Bob to seek help in defeating Mr Turner. Loews had soon acquired a near 10 per cent stake and indicated that it wanted to buy up to 25 per cent of CBS.

After some hiccups in his early investment career, Mr Larry Tisch is now regarded as one of the most cunning investors on Wall Street. At CBS he was seen initially as a friendly investor whose presence would prevent further hostile takeover bids and enable Mr Wyman to restore calm. In October he was given a seat on the CBS board.

However, the honeymoon between Mr Tisch and Mr Wyman was shortlived and soon Wall Street was swirling with rumours that Mr Tisch wanted to make some changes. At Loews he has created a successful conglomerate whose operations range from Bulova watches to Lorillard Tobacco and the CNA insurance group.

Although Mr Wyman appeared to be taking the necessary steps—such as instigating surprisingly tough staff cuts — to restore CBS's fortunes, they failed to quell the rumours ebout CBS's internal strife and it appears that Mr Tisch and Mr William Paley became increasingly concerned about the lack of leadership at the top of the company. It was this which came to a head at Wednesday's board meeting.

Mr Wyman was the third president of CBS in four years when he took office in 1980 and although he was handpicked by Mr Paley as his successor, Mr Paley has continued to wield surprising influence. CBS is sometimes jokingly called "Bill Paley's cigar store," a reference to Mr Paley's beginnings as a cigar merchant who bought CBS, a struggling network of small radio stations, in 1928.

Under Paley, who did not step down as chairman until 1983, CBS grew into the most successful of the big US TV networks. Mr David Halberstram in his book "The Powers That Be," says that for 50 years Paley was "the supreme figure of modern broadcastings, first in radio, then in television."

"For almost 50 years he had swum in weters with some of capitalism's greatest sharks and there were no tooth marks on him. He was tough and shrewd, and he survived and endured, creating with his desires and ambitions the modern structure of broadcasting with its brutal ratings system and its unparalled profits," says Halberstram, who calls him a "genius at mass entertainment."

This is the man who is two *weeks away from his 85th birthday* and has been brought out *of the shadows to help rebuild* America's most prestigious broadcasting company. Despite his age, broadcasting industry analysts expect that Mr Paley will play an active role in CBS in the months ahead until a new chief executive *is* appointed.

Among the names which are being canvassed are those of Mr Grant Tinker, who was responsible for building NBC into the number one network, and has just quit in order to return to movie-making and Mr Robert Daly, the chief executive of Warner Brothers and a former senior CBS executive.

While Wall Street is marvelling at the ease with which Mr Paley returned to power, there are serious questions whether Mr Paley's talents which were so successful 40 years ago are particularly applicable to today's broadcasting world. Meanwhile, Wall Street is also wondering how Mr Tisch will measure up to the task. He says that he intends to "maintain the traditions and spirit of this company as established and nurtured by William S. Paley." However, many analysts believe that Mr Tisch has realised e long-held ambition to take effective control of e major TV network without having to pay a vastly inflated premium.

CBS: THE STORY SO FAR ...

June 2 1980—Thomas Wyman becomes president and chief executive of CBS, making him the third president in four years.
April 1983—William Paley gives up title of chairman to Thomas Wyman.
January 1985—Sen Jesse Helms organises "fairness in media" group in an attempt to exert some editorial control over the CBS news.
April 18 1985—Ted Turner announces a takeover bid worth $5.4bn for 67 per cent of CBS. CBS rejects bid.
July 3 1985—CBS announces recapitalisation plan valued at $954.8m, to buy back 21 per cent of its stock.
July 29 1985—Mr Laurence Tisch, chairman of Loews Corp. buys 9.9 per cent of CBS common stock.
October 1985—Mr Tisch increases stake to 25 per cent and is invited to join the CBS board.
March 25 1986—Marvin Davis, Denver Oil man and former owner of Twentieth Century Fox, offers to buy CBS for $2.75bn in cash. He is turned down.
September 10 1986—Mr Wyman resigns as chairman and CEO of CBS. Mr Tisch becomes chief executive and Mr Paley resumes acting chairmanship.

AND THE PROFITS

Year	Revenue ($m)	Operating profits ($m)
1980	1,701.4	247.1
1981	1,921.1	316.9
1982	2,165.2	270.8
1983	2,389.4	291.5
1984	2,720.9	408.6
1985	2,785.4	360.6
6 mths 1986	1,438.7	186.6

Acid test for environmentalists

YESTERDAY'S announcement by the *British Government* that action was to be taken against industrial sulphur emissions is long overdue but none the less welcome for that. Since the Industrial Revolution the problem of noxious emissions into the atmosphere *has steadily* worsened and as winds sweep them away across frontiers one man's productivity has become another men's dead loss. British pollution upsets the equilibrium of Scandinavian nature, West German emissions find their way by air and water to foul East bloc rivers and forests, the outpourings from the US have a deleterious effect on Canada's magnificent natural environment.

Nobody escapes. Some East bloc countries are themselves among the worst polluters; enormous swathes of West Germany'e forests have died; Britain has suffered the effects of industrial pollution for decades as evidenced both by the slow dissolving of some outstanding historic buildings and by the gradual sterilisation of many fresh waters.

Wind and rain know no political borders. This puts the problem firmly in the category where international co-operation and discipline would work to the common good irrespective of any other antagonisms

Friendly gesture

It is regrettable, therefore, that so little has been done over the decades to counter pollution and particularly unfortunate that those countries, such as Britain, which were at the forefront of industrial progress, became so unresponsive to the need to counter environmental pollution, particularly during the 1970s when the problem was at *its* worst. It has *not* always been so—the British smokeless urban zones and smokeless fuel policies, for example, quickly eradicated the suffocating post-war smogs

However, in recent times the Thetcher Government has started to recognise the mounting political force behind environmental issues and has stopped sheltering behind the conflicts over scientific evidence ebout, for example, the constituents of acid rain and their differing effects. Mr William Waldegrave, *the* Environment Minister, has finally edmitted that British emissions were undoubtedly largely responsible for the acid rain which has devastated Norway's forests and sterilised a startling proportion of the country's lakes and rivers. The Government has now followed this by announcing yesterday a £600m programme under which the Central Electricity Generating Board must fit equipment to filter sulphur from emission at three of Britain's 12 coal-fired stations. All future coal-fired stations will have to be fitted with the equipment.

It is no accident that this belated *decision comes at the start* of Mrs Thatcher's visit to Norway; the Norwegian Prime Minister, Mrs Gro Bruntland, undoubtedly has the subject at the top of her agenda—not surprisingly as 92 per cent of the sulphur *deposits falling on* Norway come from other countries.

But the British announcement is much more than a mere friendly gesture to take the heat out of an official visit. It is an important and clear precedent on which to build.

Common interest

But there is still far to go. As more countries tackle the problem of sulphur emissions, scientific research suggests that there are other villains at large such as the nitrous oxides emitted by power stations and car exhausts.

But these are all parts of the same *puzzle*. *While the* scientists find out exactly which components of which emissions kill what, all countries now at least agree on the general principle that industrial emissions are potentially harmful;

Only by concerted international agreement can any meaningful progress be made. Within Europe, the EEC should agree to a set of regulations and enforceable standards and *beyond* that as wide an international consensus as possible should be sought. It is one of the few policy areas where, for example, the EEC and Comecon might find it both easy and mutually beneficial to agree to act in concert. It is in the common interest of all states

Men and Matters

Pie in the SDP sky

ON the eve of the SDP conference, the Alliance — or rather, their semi-official New Democrat magazine — has given a number of hostages to fortune.

In what is intended as e *spoof* it sets *out* a possible Allinace team for government right down to ministres of state.

The snag is that the Alliance has only 17 MPs and the government has 86 ministers and whips in the Commons and a *further* 15 to 120 in the Lords.

So the magazine has had to indulge in some imaginative padding while carefully balancing the susceptibilities of the SDP and the Liberals. For a start it begs the question on who will be Prime Minister. The names of David Steel and David Owen are pencilled in with the loser becoming Foreign Secretary and Deputy Prime Minister.

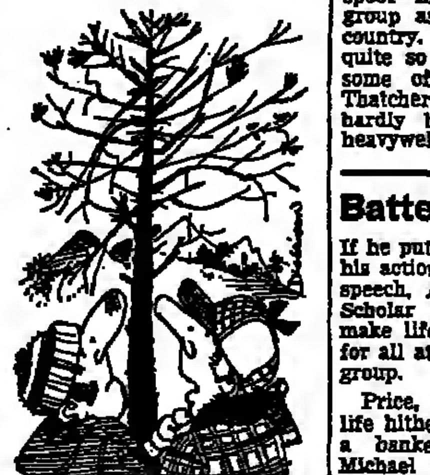
But the fun starts lower down the ladder. Roy Jenkins would return to the office of Chancellor which he last held in 1970. The Chief Secretary would be Richard Wainwright, even though he is retiring from the Commons. The other Treasury ministers would include one fin*ancial journalist* (one of two current Guardian journalists heading for glory) and one economic analyst.

It is a similar story in other departments. John Ashworth, former chief scientist at the *Think Tank*, as Education Secretary and Dick Taverne as Employment Secretary, even though neither intends to stand for the Commons next time.

Lord Ezra, former chairman of the National Coal Board, is to become Energy Secretary and retiring ICI chairman Sir John Harvey-Jones Trade Minister, even though he is not publicly an SDP member.

More plausible appointments are in the Lords—Lord Scarman as *Lord Chancellor and* the the redoubtable Lary Seear as Leader.

Privately, some Alliance supporters conceded that such e spoof invites ridicule for a group aspiring to govern the country. Yet, perhaps it is not quite so ridiculous given that some of the names in Mrs Thatcher's reshuffle would hardly have been considered heavyweights a year or two ago.



"The British soon changed their minds on acid rain when they saw this year's free Trafalgar Square Christmas tree"

Batteries charged

If he puts as much bounce into his actions as he does into his speech, American-born Rhodes Scholar Kent Price, 43, will make life anything but boring for all at the Choride batteries group.

Price, whose entire working life hitherto has been spent as a banker, is chairman Sir Michael Edwardes' choice as Chloride's new chief executive. He breezily admits to his lack of industrial experience as well as being "an open kimono sort of guy when it comes to airing my views and feelings."

Sir Michael, the former BL boss who has been undertaking radical surgery at Chloride group for the past nine months as both chairman and temporary chief executive, now reckons Chloride is convalescing sufficiently well for him to return to his non-executive chairman's seat. But it is unlikely to be for too long. Clearly, he is now looking for pastures new.

"For the last year, while Chloride has been in difficulties, I've been inhibited from taking any offers put to me. But Kent takes over from Monday, and I will then be freer to consider offers that have been put to me."

Not so amicable

Like the unfortunate victim in e Bateman cartoon Graeme Knox, general manager for investments of the Scottish Amicable Life Assurance Society, took a lone stand at yesterday's Guinness shareholders' meeting to express the wrath of the Scottish institutions.

In spite of fears on the part of Guinness chairman and chief executive Ernest Saunders and his board that a sizeable band of the Scottish Mafia was on its way south only Knox turned up to berate the British brewers.

Knox, aged 41, a bearded, balding Glaswegian admitted to a certain disappointment that he had to stand alone. "If I had not been there it would have been soap all the way," he said after the meeting.

After studying chemistry and economics at Cambridge, Knox trained to become an actuary with the Scottish Amicable where he has spent his entire professional career.

He is a veteran of many shareholders meetings, recalling in particular the controversy that surrounded the Government rescue of Burmah Oil in the mid 1970s.

"I can remember many stormy meetings though I have never personally played such a prominent part," he said.

He should have been well prepared for the drama of yesterday's confrontation, being a member of the amateur dramatics society of his home village of Killearn, just outside Glasgow, when not golfing and hill-walking.

Key to history

Why did a Boston land developer make a successful $17.25m bid for an abandoned US naval base on Key West, Florida? The answer is that the site includes a 19th century clapboard house used as a vacation retreat by Harry Truman, the US President who dropped the first atom bomb.

Pritam Singh, who owns the Great Bay Co of Boston, beat 10 other bidders in acquiring the most valuable piece of waterfront on the island, the 103-acre Truman Annex centred by the historic "Little hWite House"

The US Government auction finally came down to two bidders, Singh and the Cook Inlet Region of Alaska, which represents 8,000 Eskimos who have been given credit by Congress to reimburse them for federal takeover of their lands.

"Our business is restoring historical buildings, and that's what we have in mind here," Singh says.

Catch the drift

The pace of life in the Outer Hebrides is such that manana often seems too urgent a concept.

A colleague planing e Hebridean jaunt phoned the operator of a small ferry between two of the more remote islands. He was told a timetable operated Mondays to Fridays, while Saturday trips were arranged to meet local needs. Resigning himself to an unpredictable Saturday, he asked for the time of the return trip on the Monday. "We usually leave about half past eight . . . or nine . . . or 10," came the reply.

Observer

POLITICS TODAY

Merit is sometimes rewarded

By Malcolm Rutherford

THE CHANGES at the middle and lower levels of the British Government announced this week, though not dramatic, mark the first time that Mrs Margaret Thatcher has tried to take a systematic approach towards ministerial appointments.

Practically all her previous efforts at Government formation or reshuffles have been either haphazard or have come about by accident. In the course of the last few months there have been so many accidents — the departure of Mr Michael Heseltine from Defence and of Mr Leon Brittan from Trade and Industry over the Westland affair, for example — that another September reshuffle of the Cabinet was not on. The changes had to be at the lower level.

The list of casualties can be taken back longer: certainly to the formation of the new Government after the general election of 1983. Mr Francis Pym was dropped as Foreign Secretary. Mr Cecil Parkinson, who had played a large part in the election victory as party chairman, quickly ran into personal difficulties and had to leave Trade and Industry for the back benches.

The reshuffle of September last year left a nasty taste. The sackings of Mr Peter Rees as Chief Secretary to the Treasury and Mr Patrick Jenkin as Secretary for the Environment had been signalled in advance in a way that did not reflect well on the Prime Minister. The move of Mr Brittan from the Home Office to Trade and Industry and his replacement by Mr Douglas Hurd left a hole at the Northern Ireland Office that was filled by Mr Tom King.

All in all, it began to look like musical chairs and the decision of Sir Keith Joseph to resign as Education Secretary meant yet more changes.

The unplanned nature of some of the appointments can be further illustrated by going back to Mrs Thatcher's first administration in 1979. Apart from the Prime Minister herself, only two members of the Cabinet are still in their original jobs: Lord Hailsham as Lord Chancellor and Mr Nicholas Edwards as Secretary for Wales. Only five others have been in Mrs Thatcher's Cabinet throughout: Lord Whitelaw, Sir Geoffrey Howe, Mr John Biffen, Mr George Younger and Mr Peter Walker.

The distinguishing feature of her first Cabinet was that she tended to appoint people who had served her in opposition. Most of those likely to be opposed to her on economic matters went to external affairs: Lord Carrington and Sir Ian Gilmour to the Foreign Office, for instance, and Mr Pym to Defence. One of the surprises was the inclusion of Mr Walker, to whom she owed absolutely nothing, presumably on the ground that he was safer in than out.

Gradually a weeding process took place. Mr Norman St John-Stevas was dismissed as Leader of the House, Mr Biffen was removed from the Treasury for not being tough enough, Sir Ian departed from the Foreign Office and Lord Soames from the office of Lord President. Yet even then there was a chapter of accidents. Lord Carrington might be still Foreign Secretary today if it had not been for the Falklands, and Mr Pym would not have succeeded him, however briefly.

There was no common pattern. Mr David Howell was sacked despite being on the party's economic right. Sir John Nott, also on the right, became fed up with politics when he was Defence Secretary. Later the Earl of Gowrie departed because he wanted to earn more money.

It is also worth looking at those who were not included in 1979, or included only at a very low level. Mr Nicholas Ridley, now the Environment Secretary, was given a very junior post at the Foreign Office. Mr Kenneth Clarke, now the Paymaster General and responsible for the Department of Employment in the Commons, was made parliamentary secretary at Transport, which was then not represented in the Cabinet. Mr Norman Lamont, now Financial Secretary to the Treasury—what Chancellor Lawson described when he held it himself as "the best job outside the Cabinet"—was No 3 at Energy.

Mr Kenneth Baker, now the Education Secretary, had nothing at all. Nor had Mr Nicholas Scott, now perhaps the key figure in the Northern Ireland Office, though still not a member of the Cabinet.

If there is any logic in it, one strand is that merit is sometimes recognised. It cannot be explained simply in terms of shifting the balance of the Government: removing the economic "wets" and replacing them with "dries." Mr Baker, Mr Clarke and Mr Scott would all be described—and would describe themselves—as "wets." All were associated with Mr Edward Heath, the former Tory leader. Yet they have made it under Mrs Thatcher.

Another strand is that accidents require an immediate response and you tend to be stuck with it. Mr Paul Channon became Trade and Industry Secretary earlier this year almost entirely because he was No. 2 when Mr Brittan resigned. If he were going to join the Cabinet solely on merit, he had been around long enough to have made it before then. Yet his promotion was so recent that he could hardly be moved again this week. It is nevertheless curious that such a key department has not been significantly strengthened at a lower level.

Past mistakes show again in the Northern Ireland Office. The reason why Mr Scott has been asked to stay after five years, and has been promoted to Minister of State as a belated recognition of his efforts, is that he is quite plainly the anchor man. The office is too important to be left to Mr King, the Secretary of State who came in last September mainly because somebody had to have the job if Mr Hurd was to become Home Secretary.

One other strand is perhaps worth noting. In modern practice the Chancellor of the Exchequer tends to be appointed for the life-time of a government. Mr Denis Healey served throughout the last Labour administration. Sir Geoffrey did the whole of Mrs Thatcher's first term and it will be surprising if Chancellor Lawson does not last the second. Changing the Chancellor has come to seem like an admission of defeat. Indeed under the Tories the Treasury has become steadily more powerful.

So if the Prime Minister wanted to make changes at all, her options were limited by what she had done or failed to do before. The need to encourage the troops and to introduce new faces before a general election was a compelling enough reason. It also seems to have persuaded her to be more systematic and to look at the list of available choices as a whole.

Some obvious gaps have been filled: for example, the appointment of Mr Peter Morrison as joint deputy chairman of the party to assist Mr Norman Tebbit at Central Office. It had become apparent that all was not well at Tory headquarters and when that happens the loss of morale spreads through the rank and file. Mr Morrison has worked with Mr Tebbit before and Mr Tebbit's own position now looks secure.

There is also a recognition of the low state of the party's fortunes in Scotland. The Scottish Office has been strengthened if not by spectacular names, at least by what should be a better team. Lord Glenarthur, who comes in as Minister of State, has been an assiduous performer in the House of Lords.

Most of all, the changes at the Department of Health and Social Security must be a sign that Mrs Thatcher has acknowledged the Government's vulnerability in this area. Charges that the health service in particular has suffered under the Tories are too insistent not to need countering. Whatever else may be said about Mrs Edwina Currie, who has been made parliamentary under-secretary, she will certainly make her voice heard.

Balance, and the requirement to make some sops to the right, come into it, of course. There is no other way of explaining the retention, though in a different post, of Dr Rhodes Boyson. Dr Boyson had become a bumbler at the despatch box on Northern Ireland. He was a far better candidate for dismissal than some others who have gone, such as Mr Timothy Raison from Overseas Development and Mr Barney Hayhoe at Health, yet his departure might have caused a minor storm.

More striking is the appointment of Mrs Angela Rumbold as No 2 at Education in place of Mr Chris Patten. That clearly is a warning to Mr Baker as Secretary of State not to run too liberal a department and think that he can have it all his own way.

Yet it is a curious comment on our times that Mr Patten should be widely regarded as being demoted, or at best moved sideways, by being shifted to Overseas Aid. It used to be seen as qualifying for a place in the Cabinet. Mr Patten should be very good at it and will bounce back.

Finally, a word about the losers and those who have not yet made it. One cannot help reflecting how arbitrary it all is and how chancy a political career can be. Mr Hayhoe, for instance, was 60 last year and expected to be dismissed as Minister of State at the Treasury last September. He had had a reasonably good run over the years and was reconciled to going. But Mrs Thatcher made him Minister of Health, about which he knew little. Now that he has learned something, he is out.

Mr Raison came into politics in 1970 with a high reputation: the first editor of New Society, and a friend of Sir Edward Boyle, he was widely expected to make the Cabinet. Yet somehow his talents never shone in Parliament.

Mr Ray Whitney left the Foreign Office to fight the Wycombe by-election in 1978, made a brief mark by being bravely critical of British policy towards the Falklands, was given a job at the DHSS and now is presumably at the end of his ministerial career.

There are also those still waiting such as Mr Richard Ryder and Mr Peter Lilley who are quite as able, if not more so, than many of those in office.

There has been a good deal of talk this week about reforming the machinery of government, though most of it from outside the present machine. All that we can hope for in that direction in the next year or so is that ministers will talk to each other more and act as a team. For there are unlikely to be many further changes before the election. Barring accidents, of course.

Lombard

Cost of backing innovation

By David Fishlock

ONE OF the most thankless tasks in this world must be offering to back inventors. The odds are heavy that you will turn them down, for a myriad of reasons from judging that the inventor will never learn to manage a business, to recognising that his idea simply will not work.

The less probable the notion, the more likely it is to attract public acclaim, egged on by the inventor's threats to take it abroad if cash is not forthcoming.

If you back him, however, everyone—except the inventor—knows the odds are stacked against you. Even professional research managers in industry reckon it is a 10-1 bet against finding a pot of gold.

The National Research Development Corporation, set up soon after the Second World War to support and safeguard Britain's intellectual property, achieved fame with the public for supporting a few highly-publicised inventions, notably the hovercraft, and criticism from dons for their frequent rejection. Although it took far more risks than any public company could afford, rejected suitors inevitably outnumbered the fortunate few who found finance from the state-backed venture capitalists.

By the 1980s the corporation had amassed a few hundred satisfied clients—and an army of academic detractors. The Thatcher Government was easily—if mistakenly—persuaded that it had failed to protect a golden British invention of the mid-1970s called monoclonal antibodies. It might well have abandoned the corporation, except for the problem of who would then manage all the intellectual property for which it had taken responsibility since 1948.

The corporation survived and made a comeback in 1984, as the growth point of the British Technology Group, under the chairmanship of Mr Colin Barker. Its brief from the Department of Industry, to which it reports, is to transfer new technology expeditiously into industry. Its income depends mainly on its skills in selecting and licensing potential new products and processes.

But in deference to its academic and other detractors, one right conferred when the corporation was first founded has now been withdrawn. No longer are state-funded scientists in universities or national laboratories obliged to give it first right of refusal to exploit their inventions.

The Government invited universities to devise their own schemes for exploiting and protecting their intellectual property. Recently it announced that it had given approval for 33 of these schemes and was discussing such schemes with most of the other universities.

But the latest annual report of the NRDC contains a salutary warning against over-enthusiasm for the entrepreneurial approach to exploitation. Last year it spent more than £1m trying to defend what it believes are the rights of its inventors — and Britain — against foreign organisations, including the Pentagon.

The NRDC argues that it must be seen to be willing to defend its property, even though the expense is daunting. Its most expensive legal outlay last year was in arguing the case for its hovercraft patents to the Pentagon. It could easily spend as much as the expected return in royalties if it is successful, for the hovercraft has never managed to match in sales its popular British image as one of the greatest modern British inventions.

Litigation is an aspect of exploitation easily overlooked in the first flush of enthusiasm for the new freedom and the universities' understandable eagerness to find new sources of income to offset government cuts. But backing innovation is inevitably a very long haul. The hovercraft is an invention of the 1950s. The pyrethrin insecticides, the corporation's biggest moneyspinner today, go back 25 years to the first patents in 1961. What does a university do when, years later, an aggrieved licensee says some faraway company or government is infringing its patent rights?

Compared with the US, the professionalism brought to exploiting innovation in Britain — indeed Europe — is still sadly deficient. But one substantial pocket of professional advice is the 164-strong NRDC. Private sources of venture capital watch it closely, consult it frequently, some universities, even, have asked it to help in setting up their own mechanisms for exploitation.

Letters to the Editor

Ill-effects of tobacco

From the president, Royal College of Physicians

Sir,—You have recently published two letters about smoking which warrant a reply.

Dr Myddleton's letter (August 26), questioned the toxicity of tobacco because of the difference in risk between smokers of cigars and pipes on one hand and cigarette smokers on the other. This has been recognised for years and, far from being a coincidence beyond belief, is easily explained by the different smoking habits of the two groups, the former being mainly "puffers," the latter inhalers of large quantities of tobacco smoke directly into their lungs.

Both Dr Myddleton and your earlier correspondent, Mrs Moody (August 4) raise queries about the estimate that 100,000 premature deaths per year might be attributed to smoking. The assumptions on which this figure is based are to be found in the 1983 report of the Royal College of Physicians on "Health or Smoking."

While the precision of this figure might be open to debate, the fact that smoking causes an extremely large number of premature deaths is irrefutable—far more than can be attributed to alcohol, road accidents or suicide. It is irresponsible to attempt to discount the ill-effects of tobacco or to argue, as both correspondents do, that further research into the cause of lung cancer is necessary when the major factor—tobacco—has already been identified.

Mrs Moody is the Scottish representative of "Freedom Organisation for the Right to Enjoy Smoking Tobacco" (Forest). It is one thing to argue for an individual's freedom to enjoy smoking; it is quite another to encourage others to do so by attempting to discredit the massive evidence about the harmful effects of tobacco.

Raymond Hoffenberg (Sir).
11 St Andrews Place, Regents Park, NW1.

Explaining the growth and jobs paradox

From Mr H. Neuburger

Sir, — Samuel Brittan's Lombard column (September 8) shows him in serious need of cheering up. He can rest assured that even on his evidence that the link between growth and jobs has not disappeared.

The best summary of that evidence shows that there is an underlying growth of productivity of about 1½ per cent at zero growth, and that each additional point on the growth rate of output adds ½ of a point on the growth rate of employment. This means that output growth is good for both jobs and productivity. It is perhaps not surprising that with only seven observations these results are not "significant." Nonetheless, they are not by any stretch of the imagination or statistical analysis inconsistent with the commonsense view that more output means more work.

Mr Brittan depresses himself mainly by the device of dividing his graph into two parts and failing to find a satisfactory relationship in each half. Such a procedure applied to any graph would probably yield a similar result.

Further examination of the histories of these countries would show that periods of rapid growth in output coincided with periods of employment growth and vice versa. Neither your readers nor Mr Brittan are yet required to accept the belief "that there is really no relation between output and jobs."

Henry Neuburger.
21, Northchurch Rd, N1.

A stable exchange rates system

From Mr W. Grey

Sir,—Explaining why international monetary reform is "no more than a noble-sounding goal," John H. Makin (September 3) repeatedly pointed to the lack of international policy co-ordination. Thus, regretting that "the necessary, demand-contracting adjustment of US fiscal policy . . . has not resulted in any offsetting expansionary measures abroad," he particularly slated Germany's "self-righteous and inward-looking" attitude, averse to risk-taking, which "threatens any effort to stabilise exchange rates."

His critical reference to Germany was singularly inapt. Not only had that country, after the collapse of the Bretton Woods system, it had no hand in fashioning, nailed its colours to the stable exchange rates mast long before the EMS, which it did, of course, very much help to create, was invented. But, as even cursory perusal of the German Bundesbank's publications would tell him, stability also is writ larger in Germany's than in "perhaps" any other country's monetary vocabulary. So which pot is calling which kettle black?

More generally, while it takes two to tango, and no country, however powerful and well-meaning, can stabilise exchange rates on its own, each country nevertheless can actively pursue a stable exchange rate policy — which does not mean that its "exchange" rate necessarily has to be fixed or pegged — without expecting others to follow suit. A stable exchange rates system demands a shared commitment to the principle that exchange rate stability is, and "benign neglect" is not, best. It is not a matter of mutual, let alone universal, backscratching.

W. Grey.
12 Arden Rd, Finchley, N3

Act Two in insolvency

From Mr J. C. Robertson

Sir,—Mr R. G. Theobald (September 3) would be correct in his criticism of the Insolvency Act 1986 if it stood on its own, but it does not. The picture is completed by the Company Directors Disqualification Act 1986, which repeals and re-enacts the balance of the Insolvency Act 1985 (including Section 16), together with the provisions of the Companies Act 1985 relating to the disqualification of directors.

It is not surprising that Mr Theobald should not have come across the Company Directors Disqualification Act. The Stationery Office has not automatically supplied a copy to those with a standing order for insolvency legislation.

These consolidations have at least the merit that those dealing with insolvent companies and delinquent directors will not have continually to refer to two Acts at once. It may, however, be regretted that, so soon after the 1985 consolidation of companies legislation, so much of the consolidating statute should be repealed and the valuable principle of one Companies Act be abandoned.

James Robertson,
Touche Ross Insolvency Technical Committee,
33-34 Chancery Lane, WC2.

Making money from Thames rubbish

From Mr P. Kreamer

Sir, — Much of the rubbish in the Thames (Peter Newman, August 30) comes from old, badly run riverside transfer stations. That is a fancy name for a means by which rubbish is moved from dust carts into river barges.

Their positions are marked by the flocks of seagulls which usually surround them. Aside from the prizes carried away by these birds, the winds blow plastic and paper into the river. Were all this material burnt before being transported, the problem would not arise.

Since the Thames Water Authority already disposes of all the liquid effluent from the capital, why does it not expand into solid waste disposal? It already owns numerous city centre sites well-placed for the building of rubbish-fired power stations. The electricity these produced would provide cheap energy for all the authority's pumping operations.

If Mr Roy Watts would like to pursue this potentially very lucrative idea, I would be happy to assist him.

Peter Kreamer.
38, Bell Lane, Eton Wick, Windsor, Berks.

Worrying about radiation

From Mrs A. Barrett

Sir, — As they say in "Call My Bluff," I would like to believe Dr L. G. Brookes' (predictable, if somewhat involved) letter (September 2) assuring me that I am worrying about nothing when it comes to radiation from nuclear power stations. I must admit that I used to accept the old "background radiation" argument. His statement that it constitutes "the greater part of all the radiation we experience" gives the impression that this sort of radiation is harmless, but in a report (also September 2) by the National Radiological Protection Board, it was calculated that some 1,300 deaths occurred each year in Britain because of the harmful effects of natural radiation.

The white paper on nuclear waste, published on the Royal Wedding Day, was criticised for restating the policy of diluting and dispersing nuclear waste by the Government-backed Natural Environment Research Council, which said in its evidence to the Commons select committee that the dilute and disperse policy was not successful, since the radioactivity tended to *concentrate*.

Now for Dr Brookes' argument regarding my worries about leukaemia. At the beginning of this year a Government statistical study showed that the incidence of leukaemia near the Dounreay nuclear plant in Scotland was 10 times higher than normal, and also that there had been an increase near two other nuclear installations. I consider that even *one* extra case of leukaemia is unacceptable. A paediatrician writing in the Daily Telegraph has predicted that there will be an extra 150 cases of thyroid cancer in children in Britain in the next few years as a result of the radioactive fall-out from Chernobyl. I know that that was an accident, but, as evidence of the danger of radiation, it is good enough for me.

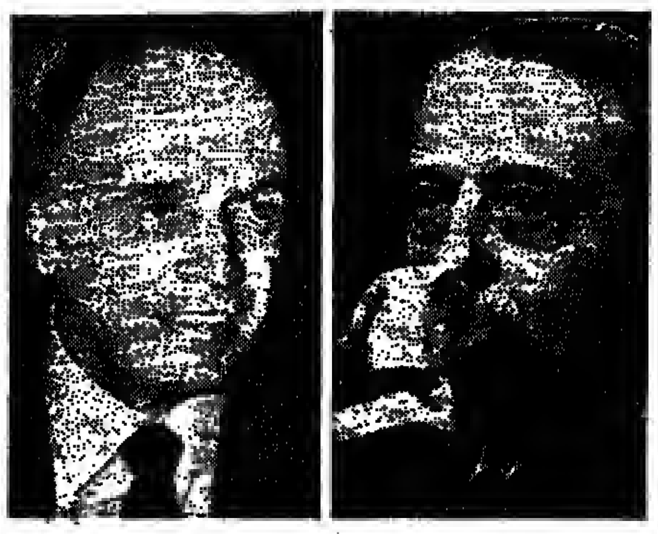
Ann Barrett.
59, Hinton Ave, Cambridge.

FINANCIAL TIMES
Friday September 12 1986

Clash of styles in Montedison boardroom

A CORPORATE dispute which symbolises the conflict between Italy's traditional oligarchic financial establishment and the modernising influence of newcomers is set to come to a head this afternoon in the Milan boardroom of the Montedison chemicals group.

The dispute, which concerns a controversial $521m purchase by Montedison of a 12.4 per cent shareholding in a Florence insurance company, is more than symbolic. In the complex world of Italian finance, the Montedison affair concerns bigger issues. Can an *ancien regime* of industrialists resist the challenge of modern financial operators? Can the old establishment hold up against the pluralistic tendencies of new Italian capitalism?



Alan Friedman examines the background to a conflict among directors of a major Italian chemicals group. The two leading players in the affair – a clash between modern financial operators and an old establishment – are Mr Mario Schimberni (left) and Mr Enrico Cuccia.

The protagonists of today's boardroom battle are Mr Mario Schimberni, 62-year-old chairman of Montedison, and Mr Enrico Cuccia, the crusty 78-year-old veteran at Mediobanca, the Milan merchant bank which has traditionally served the interests of a tiny private sector elite led by Mr Gianni Agnelli, Fiat chairman, Mr Leopoldo Pirelli of the eponymous tyre company, and their allies.

Mr Cuccia, who has created a web of industrial cross-holdings over which for 40 years he has maintained rigid control, last week attacked Mr Schimberni for having bought the 12.4 per cent equity stake in La Fondiaria, a Florence insurer in which Montedison already owned 25 per cent. Mr Cuccia's attack was based on the supposition that Mediobanca, which owns 6 per cent of Montedison shares, should have been informed of the La Fondiaria deal before it took place.

This is because Mediobanca is a member of the shareholders' "control syndicate" which comprises the top 10 shareholders of Montedison who, with less than 24 per cent of total Montedison equity, feel they should be able to dictate the group's policy.

Mr Schimberni, who has worked hard since 1980 to turn Montedison's fortunes round, does not believe in the old concept of "control syndicates" which are able to run companies as the "shareholder of relative majority." The Montedison chief instead is campaigning to develop publicly-held companies on the Wall Street or London model. He already has 100,000 small shareholders in Montedison and refuses to be dictated to by the likes of Mediobanca.

At stake is whether Italy's financial modernists, who are taking on the Agnelli-led establishment, can prevail with the concept of a public company. The old guard's view was epitomised in an attack on Mr Schimberni this week by Mr Luigi Orlando, a Florence industrialist who is a close ally of Mr Agnelli and Mr Cuccia.

Mr Orlando said it was "not correct" for Montedison to have acquired la Fondiaria shares. "If in business the pacts (made by shareholder control syndicates) are not respected then business will become like a jungle," he said.

There are three other issues at stake in today's battle, which will take place when Mr Schimberni convenes the shareholders' control syndicate at Mediobanca's request. The first is that in acquiring a total of 37.5 per cent of La Fondiaria, which amounts to effective control, Montedison has also obtained a small, but key share stake in Mediobanca itself, held through the Florence insurer.

The future of Mediobanca is a hot political issue in Italy. Last year the IRI state holding group, which controls 57 per cent of Mediobanca, tried to oust Mr Cuccia because he remains the guardian of a few private interests who are served despite their own minuscule minority shareholding in Mediobanca.

The next issue concerns another key equity stake, this time in Generali, Italy's biggest insurance group, which Montedison also obtained by taking control of La Fondiaria. Mr Agnelli and Mr Cuccia are both said to be interested in building up their holdings in Generali and the sight of Montedison stepping in ahead of them must be galling.

The final issue is Mr Schimberni himself. Last year he roused the fury of the Agnelli-Cuccia circle by taking over Bi-Invest, a financial and property company, against the establishment's wishes. Some stockbrokers in Milan say Mr Cuccia would now like, to have Mr Schimberni sacked.

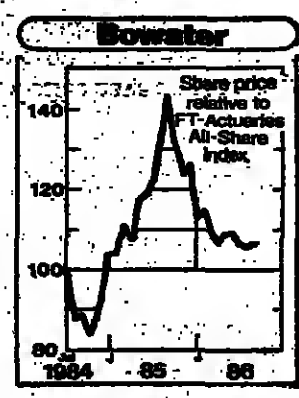
It is difficult to predict the outcome of today's corporate shoot-out. Unless Mr Cuccia can muster the votes within the control syndicate he may simply end up selling off Mediobanca's equity stake in Montedison, which might depress the share price for a while but would represent a Schimberni victory in the end.

One Italian newspaper described the Cuccia attack on Mr Schimberni as "more pathetic than threatening" and commented it was symptomatic of increasing pluralism in Italian capitalism and the inability of the old guard to continue to call the shots. If this turns out to be the case, the modernisers in Italy will have won a strategic battle.

THE LEX COLUMN

Wapping profit from News

What is bad for the US bond market is not necessarily bad for equities, particularly if bond yields are rising on fears of overheating in the economy. But it seems there are limits to how far the markets can diverge; Wall Street's equity investors proved able to ignore the falling bond market for about a week and a half. Yesterday's selling may be no more than a missed step on the tightrope, as ephemeral as the day's rumour about rampant consumer spending. But inflation and deflation both seem more potent threats than they did a fortnight ago.



News Corporation

The financial sense of printing newspapers in Wapping seems clear enough in London, but it must look even clearer from Australia. The £56m that News International provides above the line for the costs of leaving Fleet Street for the docklands fortress – reducing pre-tax profits from £46.8m to a mere £11m – makes a much less prominent appearance in the accounts of News Corporation. Taken below the line, in accord with the best Australian accounting practice, the Wapping provisions allow News Corp to report an improvement in its UK operating profit of almost A$100m. Translation into a depreciating currency also helps.

Adjusting for these optical discrepancies, the move to Wapping appears to have added about £1m a week to the pre-interest profits of News International. And although nothing much can be inferred from the preliminary statement about the generation of cash through Wapping, it is evident that the ability of News Corp to cover its pressing interest bill in the US has been greatly enhanced.

Bowater

Bowater's retreat from its origins in the pulp and paper business has taken a long time, and even now it will continue to be making tissue from its own timber in Australia; but yesterday's sale of its UK paper group, with a six-month put on a Swedish pulp mill, marks the effective culmination of a process that began with the demerger of the US mills in 1984.

That the sale is a good idea for Bowater shareholders goes without saying: the business made less than 1 per cent on sales last year and in the first six months of 1986, and the £34m raised from the management/institutional consortium would earn more on deposit. To have netted book value for a UK paper business, admittedly at the level written down at the time of demerger, is quite something; but then some hefty capital expenditure, which caused Bowater to miss out on what should have been a good 1985, will accrue as a benefit to the new owners. They will need it.

As for Bowater, it is running out of time on the basis of yesterday's interim figures, which show pre-tax profits net of a pension contribution holiday just 9 per cent ahead at £14.4m, reported per-share earnings will not climb over the 1981 level until next year when the Bowater-Scott minority falls out.

On this year's expected earnings, the rating of nearly 14 times is very demanding at yesterday's 330p, up 5p. Shorn of the cyclical and capital-hungry paper operations, Bowater's collection of service and specialised packaging acquisitions (and its Australian mini-conglomerate) would probably still not command a market multiple without a bid premium. Not unless Bowater, or somebody else, demonstrates they can be managed.

Euroferries

By linking the boardroom bust-up to a £4m interim loss European Ferries manages to give the impression that the surviving executives have the guts to tackle problems for which they are not to blame. For a company not too good at making friends in the past, that is progress; and it seemed to work in the market where the shares fell only 1p to 133p. Yet however brave a face the executive chairman assumes, it is hard to overestimate Euroferries' problems.

His first call must be on Houston where Euroferries is at last writing off, rather than capitalising, the interest cost of holding its properties. At £3.5m in the first half, the exceptional item will run at an annual rate of £7m or £8m until the oil price booms again. The tough new team must decide whether to cut and run, taking a big book loss, or throw good money after bad.

In the UK, the ferry operations are finding that the benefits of the "jumboised" ships are outweighed by higher depreciation costs, which will get worse when two new ships, costing £85m, set sail. Those are currently Euroferries' sole anti-Tunnel strategy, apart from telling anyone who will listen that the Tunnel might be unsafe. The new Trinity Terminal at Felixstowe turns an operation that was running at full capacity into one that is short of customers.

Profits will be lower this year, at around £45m against £48.4m, but more serious could be the cash outflow which might add £100m to already high borrowings. Perhaps the shares owe more to P & O's 20 per cent stake than belief in the company's prospects.

Vickers

Emancipating Vickers from its dependence on Rolls-Royce and lithography is a long haul; more than half the profits came from those sources in 1985. But Vickers has been adding so steadily to the other parts of its business, ranging from underwater screws to office furniture, that it has begun to look a genuinely balanced group. Yesterday's $57m acquisition of Air-Shields – a leading US manufacturer of incubators for the very young – also acts as a counterweight to Vickers' prospective expansion in tank manufacture, when it gets to work in the Royal Ordnance factory at Leeds.

Whatever the market's view of the mixture, the long recovery in the status of Vickers' paper since the last rights issue in 1982 was sealed by the ease with which its shares were placed yesterday morning. Not very many shares, it must be admitted, at 9.4 per cent of the equity; but in a weak market it was reassuring to see only a 7p fall, to 421p.

Standard Oil to sell two copper mines

BY WILLIAM HALL IN NEW YORK

STANDARD Oil, British Petroleum's US affiliate, has agreed to sell its two smaller copper mines in New Mexico and Arizona for $228m.

The deal is the latest sign of the *extensive streamlining of Standard* Oil's operations, which has been under way since the spring when BP installed a new top management team.

Standard Oil's Kennecott subsidiary announced yesterday that it was selling its two thirds interest in Chino Mines to Phelps Dodge, the biggest US copper producer. The remaining one third is owned by a subsidiary of Japan's Mitsubishi Corporation. Standard also announced the sale of its wholly-owned Ray Mines division to Asarco, another leading US mining company.

Mr Bob Horton, Standard Oil's chief executive, said the decision to sell the two copper mines and concentrate the group's mining activity on Kennecott's giant Bingham Canyon copper mine in Utah, followed a detailed review of all of Standard's businesses which was completed in the second quarter of 1986.

Standard Oil is proceeding with plans to modernise the Bingham Canyon mine – the biggest copper producer in America – after the local workforce accepted a number of concessions in a labour settlement which ensures the mine will be one of the lowest cost producers in the depressed US copper industry. It has been known for some time that Standard Oil has been wanting to sell the two smaller mines, which do not have the same economies of scale as Bingham Canyon.

Since Mr Horton and his new top management team took over at Standard Oil on April 1, they have been in the throes of a major reorganisation in a bid to streamline the *company and prepare* it for a period of depressed oil prices.

Standard has announced plans to sell a substantial part of its sprawling industrial operations,

Bundesbank continues to resist pressure for interest rate cut

BY JONATHAN CARR IN FRANKFURT

THE West German Bundesbank has again decided against dropping its key interest rates despite pressure from abroad for cuts, and may not change its stance later this month either.

The central bank's policy-making council met yesterday in the presence of Mr Gerhard Stoltenberg, the Finance Minister, and agreed to leave the discount rate at 3.5 per cent and Lombard rate at 5.5 per cent.

It had long been expected that the Bundesbank might move to cut its rates in advance of the International Monetary Fund (IMF) meeting in Washington at the end of this month. This would have given more scope to other industrial countries to cut their rates, in principle helping boost economic growth.

But the Bundesbank council meets only once more this month – on September 25. By the time it holds its discussions the West German group attending the IMF meeting, including Mr Karl Otto Pöhl, the bank's president, will already have left for the US.

It is felt unlikely that the central bank council – which has so long pondered the question of whether to make interest rate cuts – would finally take a decision to do so in its president's absence.

The German delegation may thus face criticism at the Washington gathering, above all from the US which says its expects the Federal Republic and Japan to do more to encourage growth, boost imports and thus help curb the American trade deficit.

It remains open whether during the IMF meeting, or on the sidelines, agreement in principle might be reached among leading industrial states on a package of steps, including interest rate cuts, which would take effect later.

The West Germans say they regret that efforts to set up a top level meeting of the Group of Five countries earlier this month finally came to nothing. The problem of finding a suitable date, above all for Mr James Baker, the US Treasury Secretary, is given as the main reason the meeting did not take place.

Key topics for the meeting could have included interest rate cuts and whether the US might be ready to intervene on the foreign exchange market to help stop a further fall in the dollar.

It is nearly a year since the Group of Five countries agreed on a – *highly successful* – co-ordinated effort to push the dollar rate down. The US currency has now dropped to close to DM 2 (compared with a high of DM 3.47 last year) – a level which is starting to make the Germans fear for their export competitiveness.

This has been a key factor in German readiness to consider an interest rate cut.

Commodities, Page 36; Money markets, Page 37

UK regulatory body issues protection code

BY CLIVE WOLMAN AND NICK BUNKER IN LONDON

THE SECURITIES and Investments Board, the embryonic City of London regulatory body, yesterday published a revised and extended set of regulations which will tighten up further the standards of investor protection.

The new "conduct of business rules," which follow consultations on the original draft rules published in February, introduce more detailed requirements on companies to find out about a customer's financial and personal circumstances before selling him an investment product. A life insurance company may have to turn a customer away if it discovers that its savings plans are not appropriate to his circumstances, the SIB says.

The draft rules also tighten up the regulations on the wining and dining and the making of gifts between investment firms. Any such benefits in kind will be outlawed if their value or frequency is such as might influence the recipient when referring his customers to other investment firms or when making decisions on their behalf.

The rules also extend for the first time in advertising. Advertisements will no longer be permitted to contain apparently glowing testimonials to the investment skills of the unit trust managers which have been taken out of context from publications without the author's permission.

Another set of victims could be stockbrokers' employees who "stag" new share issues arranged by their firm. Stagging involves applying for shares in a new issue and then selling them for a fast profit in early dealing.

A new SIB rule would prohibit any personal transactions by stockbrokers' employees which could involve a conflict with a client's interests. This would mean forbidding employees to stag the firm's own issues if the firm was held to have a duty to avoid reducing the price in the after-market, the SIB says.

Details, Page 9

News International profits fall

BY DAVID GOODHART IN LONDON

THE MOVE by News International of the UK – publishers of The Times, Sunday Times, The Sun and News of the World, from London's Fleet Street to Wapping in the city's docklands cost it £56.3m ($96m), according to the group's results for the year to June published yesterday.

This is the first time that the company, the UK subsidiary of Mr Rupert Murdoch's News Corporation, has put a figure on the move to Wapping, site of the company's computerised typesetting plant.

The result was to depress News International's profits to £11.69m, compared with £46.78m a year before, despite an increase in turnover from £493m to £546m.

Without this exceptional item in the accounts, profits would have been sharply up.

News Corporation, which also reported yesterday, dramatically increased its worldwide profits from A$96.9m (US$59.3m) to a record A$242.26m for the year on the back of the performances in the US and UK divisions.

Because Australian accounting convention demands that the Wapping cost be treated as an extraordinary item, the UK subsidiary's profits are shown to have more than doubled from A$75.5m to A$171.7m. The move to Wapping has thus significantly contributed to the record profits for the whole group.

The company claimed that moving The Times, The Sunday Times, The Sun and News of the World to Wapping was saving about £1m a week.

The Wapping exceptional item of £56.3m includes an undisclosed sum for redundancy payments currently being negotiated with union leaders.

The biggest rise in profits came in the US division, from A$25.8m to A$295.1m on turnover up from A$838.7m to A$1.87bn. This rise followed the inclusion of the Ziff-Davis business magazines for their first full year, Twentieth Century Fox for seven months and Fox Television (Metromedia) for four.

Despite some recent refinancing of US debt the interest bill rose sharply from A$73.7m to A$222.58m, reflecting the expensive US acquisitions.

Because of the recent decline in the Australian dollar the group reported foreign exchange gains of A$84.87m.

News Corporation is now the second largest company in Australia and yesterday declared a one-for-one bonus issue.

British Airways privatisation

Continued from Page 1

months, were announced last month. BA will take the aircraft on long-term operating leases to take pressure off its balance sheet ahead of privatisation.

A major sale in the first part of next year is essential if the Government is to meet its target of raising £4.75bn from the privatisation programme in the current 1986/87 financial year.

Since April the Treasury has received £1.1bn in the form of a third tranche payment from the sale of British Telecom two years ago.

Separately yesterday, Lord Bethell, the veteran campaigner for lower air fares in Europe, failed in his attempt to bring a High Court case against British Airways.

He was seeking damages against the airline after trying unsuccessfully to buy the advertised cheapest standard ticket, of £49, for a return flight to Amsterdam.

Guinness board victory

Continued from Page 1

in every area relating to Distillers and the combined group's board structure.

"A competitive bid situation is very different to spending weeks and months getting to know the people and the company," Mr Saunders replied. "We got the best information we could externally."

Shareholders backed, by a show of hands, the appointment of four new non-executive directors to the Guinness board to form a counterweight to Mr Saunders, but Guinness has yet to find the fifth, Scottish, director it is seeking.

Speaking after the meeting Sir Thomas Risk said something would have been achieved if the City had learned how better to handle disputes like this in the future.

"We cannot leave it entirely to the shareholders," he added. "It has exposed gaps in the way we deal with this sort of thing. We should be able to find out the facts in a methodical way. This is an area which the regulators find difficult at the moment."

Guinness's shares initially took heart from the board's clear victory and rose 10p to 349p but fell back later to close 2p lower at 338p.

In a separate development Sir Nicholas Goodison, chairman of the Stock Exchange, published the text of a letter to Mr John Smith, the Labour opposition's trade and industry spokesman, rejecting a suggestion the Guinness affair represented a failure for self-regulation.

Pointing out that the Stock Exchange had in fact statutory powers, Sir Nicholas wrote: "You are rightly concerned about this affair but please give us credit for achieving in our statutory capacity as much as if not more than would have been achieved by a different statutory body."

"Your questions, it seems to me, should be directed at the Department of Trade and your powers of persuasion at the Guinness shareholders."

World Weather

[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
Friday September 12 1986

Fermenta share options agreed by El-Sayed

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

MR REFAAT EL-SAYED, controversial majority shareholder and group chief executive of Fermenta, has signed definitive agreements to sell to three Swedish groups 3m shares amounting to 32 per cent of the votes in the Swedish chemicals and biotechnology group.

The deals have a series of complicated options, however, allowing the various parties to change the agreements at a later stage. It is still unclear whether Montedison, the Italian chemicals group, intends to pursue earlier plans to acquire a majority stake in Fermenta.

Montedison previously set a deadline of November 30 for a deal.

All three Swedish groups – Procordia, the Swedish state holding company, Investment AB Beijer, the investment company controlled by Mr Anders Wall, the Swedish financier, and Industrivaerden, the investment company closely allied to Svenska Handelsbanken, Mr El-Sayed's main bank said their purchase of the Fermenta shares should in no way obstruct the gradual takeover of a majority voting stake in the company by Montedison, the Italian chemicals group.

It is clear from yesterday's statement, however, that Procordia could be prepared to take over a more substantial role in Fermenta, if the Montedison negotiations collapse.

Procordia has initially bought 1m A shares giving it 10.75 per cent of the votes, but it also has an option to buy a further 1.5m A shares before the end of September 1988.

The state holding company said it had secured a further right to increase its stake beyond 2.5m A shares or 28.9 per cent of the votes, if the talks with Montedison fail. It declined to give details of this additional option.

It is to pay SKr 200 a share or a total of SKr 200m ($28.8m) for its initial stake. If it exercises the option on the further tranche of 1.5m A shares, these would be bought at 130 per cent of the quoted price for restricted B shares to the previous three months.

Procordia also has a right to sell back its initial 1m A shares to Mr El-Sayed during the first half of 1988, as long as it has not exercised its other options.

Procordia itself is holding negotiations with the Swedish Industry Ministry about selling shares to private institutions with a view to eventually acquiring a stock market listing.

The agreements by Mr El-Sayed with Beijer and Industrivaerden are essentially short-term, and both groups said they were aimed at facilitating an eventual deal with Montedison.

If no agreement has been reached with the Italian chemicals group by December 1, however, Industrivaerden and Beijer can force Mr El-Sayed to buy back their holdings. If they should decide to hold on to the shares, then Mr El-Sayed has a right of first refusal or an option to buy back the shares within a limited period.

For the moment Beijer and Indusdtrivaerden are each buying 1m A shares at a price that is "substantially lower" than the SKr 200 a share paid by Procordia.

Mr El-Sayed has a right to buy the shares back and to sell them to Montedison, and he and the investment companies would then share equally the profit from any such deal.

If a deal is struck with Montedison, the Italian chemicals group would have "a right and obligation" to acquire the Beijer and Industrivaerden holdings within two years at a previously agreed price, said the two investment companies.

In a separate development last night, Mr El-Sayed confirmed that Fermenta was negotiating the sale of part of its agri-chemicals operation in the US.

AMD to shed jobs and cut range

By Louise Kehoe in San Francisco

ADVANCED MICRO Devices (AMD), one of Silicon Valley's largest chip makers and until last year the fastest growing company in the semiconductor industry, will reduce its workforce, eliminate some product lines and cut back on its research and development spending in an effort to return to profitability, Mr W. J. Sanders, president and chief executive, announced at the company's annual meeting in Santa Clara, California, on Wednesday.

Mr Sanders hoped AMD would be profitable in the first half of 1987. The company has reported losses for each of the past four quarters, with operating losses last year of $77.8m and losses for the recently ended first quarter of $24.5m.

"New realities have changed the semiconductor industry forever," Mr Sanders told his audience of shareholders who included hundreds of AMD employees. Foreign competition and shifting demand from the US to Pacific Basin markets have irrevocably changed the US semiconductor industry.

He praised the recently signed US-Japanese trade agreement designed to open the Japanese chip market to US suppliers and to prevent future "dumping" of Japanese chips in the US. AMD has expanded its operations in Japan to take advantage of these new opportunities.

Despite the trade agreement, however, US chip makers could not quickly close the manufacturing cost advantage enjoyed by foreign competitors.

AMD, which has maintained a strict "no layoffs" policy for the past 18 years regardless of business conditions, has been forced to moderate its employment rules.

More layoffs are now expected although Mr Sanders declined to give details.

AMD's research and development spending was to be cut back by about $40m per quarter. In the past quarter AMD's $51m R&D costs rose to an unprecedented 33 per cent of sales.

AMD's strategy of pumping out new products that carry higher profit margins than commodity chips has been less successful than analysts had anticipated. Although AMD has introduced products at the rate of at least one per week over the past year, those chips accounted for only 8 per cent of AMD's sales in the last quarter.

New powers to be granted to banks in legislative overhaul

Canada plans its own Big Bang

Bernard Simon in Toronto reviews a government programme which will give banks a more competitive foothold in the rapidly changing financial services sector.

THE CANADIAN Government plans to grant new powers to the country's banks and to limit the ownership of financial institutions by non-financial conglomerates as part of a forthcoming overhaul of legislation regulating the financial services industry.

Mr Tom Hockin, Minister of State for Finance, whose portfolio includes supervision of the banking system, said Ottawa would "not be a stumbling block," to banks' efforts to acquire significant minority interests in domestic securities firms.

The concessions, if implemented, will give Canadian banks a foothold in the increasingly competitive securities industry at a time of unprecedented change in the financial services sector as a whole.

According to plans announced earlier by the Ontario provincial government, a limited number of US, European and Japanese investment banks and securities firms will be allowed to set up operations in Toronto from January 1.

Foreign institutions will also be allowed to acquire up to 30 per cent of Canadian investment dealers. The total capital of each foreign-owned concern will be limited to 1.5 per cent of the industry total, equal to about C$30m (US$22m) each.

The Ontario government, which regulates the securities industry, proposed earlier this year that banks and other domestic financial institutions should be allowed to acquire a substantial interest in securities dealers. But the banks are regulated by the federal government, which indicated that it was opposed to granting them further concessions for the time being.

Ottawa's plan to limit ownership of financial institutions by non-financial groups is likely to be strongly opposed by leading trust and mortgage companies, such as Royal Trust and Canada Trust, which are controlled by some of the country's leading industrial and resource groups. Canada Trust's parent, for instance, is Imasco, the Montreal-based tobacco and retail group 44 per cent owned by BAT industries of Britain.

Banks have lobbied for the ownership rules applicable to them to be extended to the fast-growing trust companies. No single shareholder is allowed to own more than 10 per cent of a domestic bank's equity.

Mr Hockin said: "When you're small and the need for capital is paramount, perhaps it's wise to allow non-financial institutions to bring financial groups into life. But when they get large and there are opportunities for serious conflicts of interest, perhaps one has to look at decreasing the amount of ownership." A decision to relax the restrictions on banks' involvement in the securities industry will involve changes to the Bank Act, which traditionally is reviewed only once a decade, with the next revision not due until 1990. But Mr Hockin said: "There is a disposition now to consider a few changes to the Bank Act and not wait until 1990."

Mr Stanley Beck, chairman of the Ontario Securities Commission, said, the banks would probably be allowed to take an interest of between 30 per cent and 50 per cent in securities dealers. Canadian Imperial Bank of Commerce is among the six big Canadian banks which has expressed an interest in investing in a securities firm.

Draft legislation on the ownership and powers of federally-regulated institutions, such as banks and insurance companies, is expected to be published later this autumn.

Ottawa is likely to give priority, however, to tightening supervision of banks in the wake of last year's collapse of two Alberta institutions.

The government's latest plans for stimulating competition in the financial services industry are an almost complete reversal of controversial proposals outlined in a discussion document in April 1985. The discussion paper suggested that non-financial conglomerates should be allowed to expand into banking, but that established banks should receive no new concessions until 1990.

The rapid pace of events in international capital markets and last year's small banks crisis appear to have made the authorities more sensitive to the concerns of the remaining banks and to arguments in favour of widely-held financial institutions.

First Chicago buys four area banks

By Roderick Oram in New York

FIRST CHICAGO, the major mid-western bank holding company recovering from two years of large write-offs and low earnings, has bought four Chicago suburban area banks for $220m.

The acquisitions through its American National subsidiary will increase First Chicago's presence in the regional "middle market" in which it lends to companies with annual sales of up to $115m. American National, which First Chicago bought two years ago for $275m, claims to have 20 per cent of the Chicago area "middle market."

The latest acquisitions are National Bank of North Evanston, Elgin National Bank, First National Bank of Schiller Park and Merchants and Manufacturers state bank. They are units of three separate bank holding companies controlled by Mr Stephen Bronson and Mr Melvin Gore.

A spate of bank takeovers in the region is expected following the recent loosening of interstate banking laws by several mid-western states including Illinois. First Chicago has said it wanted to acquire banks in neighbouring states with assets of between $2bn and $5bn.

In addition to middle market banking, First Chicago is trying to rebuild its profitability through heavy concentration on consumer lending in which it has the third largest credit card operation in the US. The group also intends to maintain its position in global corporate banking.

Analysts are expecting 1986 earnings of more than $4 a share, compared with $2.84 in 1985 and $1.19 in 1984.

Gotaas-Larsen takes risk on oil tankers

BY KEVIN BROWN IN LONDON

GOTAAS-LARSEN, the cash rich Bermuda-based shipping corporation, yesterday announced a $100m order for four 145,000 tonnes deadweight crude oil carriers from South Korea.

The move represents a gamble on the prospects of an upturn in the depressed oil tanker market.

The ships, to be built by Daewoo Shipbuilding, will be the largest capacity crude carriers able to pass through the Suez Canal with fully loaded cargo tanks, giving them a big potential advantage over older ships.

Gotaas-Larsen underlined its confidence in the prospects of a continuation of recent improvements in the market by signing an option for the construction of a further five ships of similar design at a cost of around $125m.

Mr Alf Clausen, the corporation's joint managing director, said the new ships would provide a high degree of operating flexibility combined with significant fuel savings.

"This remains an important consideration for owners, despite the current low price of crude oil and bunkers (fuel), he said.

Mr Richard Fain, also joint managing director, said: "I don't think this is a brave move; it is a natural extension of our decision to raise new capital for investment to modernise our fleet. We see this as a natural outcome of that."

Mr Fain said the tanker market had been "pretty dismal for a long time, but we think that by the time these ships are delivered it will be back in equilibrium and there will be demand for ships of this type."

He added: "We think the market is getting closer to balance, and we have worked hard to put ourselves in a position where we will have a competitive advantage over other companies."

Gotaas-Larsen, which made net profits of $16.6m last year on turnover of $166.1m, has a fleet of 22 ships, ranging from crude carriers to cruise liners.

Esselte profits up 4%

BY SARA WEBB IN STOCKHOLM

ESSELTE, the Swedish office supplies group, reported a 4 per cent increase in half-year profits before provisions and taxes, from SKr 333m ($47.8m) in the same period a year ago to SKr 348m.

Group sales increased 12 per cent to SKr 5.35bn, against SKr 4.782bn for the first half of 1985. But when adjusted to reflect sales of comparable units (excluding acquisitions and divestments), the increase in sales was 7 per cent.

Esselte expects income after interest expenses to match last years SKr 741m and the group repeated its earlier forecasts that sales for the whole of 1986 would increase 10 per cent on 1985 figures of SKr 10.2bn.

The improvement in group earnings came from Swedish and foreign operations, despite the SKr 50m development costs for its pay-TV venture, which is expected to be a substantial source of revenue in the next few years.

The group made several small and medium-sized acquisitions during the first six months, chiefly in the Esselte Business Systems (EBS) division.

Massa sees earnings rise

MASSA, a German grocery chain, will show a significant increase in 1986 earnings per share above the DM 8 forecast when 1986 first-half pre-tax profits rose to DM 55m ($26.8m) from DM 28m the year before reports Reuter from Alzey.

Turnover figures for the first half have been adjusted to DM 1.5bn up from DM 1.35bn. The above average rise was due to an upturn in non-food sales.

Reaction to the start-up of mail order selling was positive and sales should be worth DM 100m this year.

Massa shares were floated on the West German stock market in April. The company offered DM 23m nominal of non-voting preference shares at an issue price of DM 225 each.

Siddle quits in Euro Ferries shake-up

BY KEVIN BROWN, SHIPPING CORRESPONDENT, IN LONDON

MR KEN SIDDLE, managing director of European Ferries, resigned yesterday, less than two months after relinquishing the chairmanship of the company.

Mr Siddle, who has been with the company for 28 years, decided to quit following the insistence of the new chairman, Mr Geoffrey Parker, on his taking an executive role which left little scope for an active managing director.

Mr John Parsons, deputy managing director of European Ferries' Dover operations, and a member of the main board, is also leaving the company because of differences with Mr Parker.

In addition, Mr Jimmy Ayers, the technical director, announced his intention to take early retirement when the group's current new building programme is completed, probably in autumn next year.

The boardroom shake-up coincided with the announcement of disappointing interim results for the six months to June, showing a loss of £4m ($5.9m) before tax, compared with a profit of £5.8m in the first half of last year.

There was no suggestion that the resignations were connected with the poor results, however.

European Ferries said the retiring directors would continue to be available to advise the company on a consultancy basis. Both are believed to be prevented under the terms of their contracts from joining any of the group's competitors.

European Ferries declined to say what financial arrangements had been agreed with the two retiring directors. Mr Parker confirmed that both had service contracts with the company, but said it would be "an invasion of privacy" to give details at this stage.

Mr Siddle relinquished the chairmanship to Mr Parker in July after three unhappy years as successor to the flamboyant Mr Keith Wickenden, who died in an air crash in 1983.

The appointment of Mr Parker, who ran the harbours division, was welcomed in the City of London because of his public relations skills and aggressive style.

CBS shares fall after battle in boardroom

BY WILLIAM HALL IN NEW YORK

THE SHARES of CBS, the embattled US broadcasting giant, slumped on Wall Street yesterday after news that Mr Thomas Wyman, the company's chairman and chief executive, had been ousted after a boardroom power struggle led by Mr Larry Tisch, the wealthy New York financier, and Mr William Paley, the 84-year-old founder of CBS.

CBS shares, which fell by $3¾ on Wednesday, lost another $7 to $133 in early trading yesterday as speculators, who had been betting that the company would be taken over, dumped their shares on the stock market. Mr Edward Atorino, a media analyst with Smith Barney, said yesterday that the arbitrageurs who specialise in buying shares of possible takeover targets, have "taken a bath on this one."

Mr Wyman, aged 56, announced his resignation late on Wednesday after a marathon board meeting at CBS' Manhattan headquarters. Mr Wyman has been under increasing pressure to improve CBS' flagging fortunes for several months since the company rebuffed a couple of hostile takeover approaches. The company's advertising revenues are falling, it has lost its traditional dominance of the prime time TV market and efforts to diversify into non-TV areas have been far from successful.

Mr Tisch, chief executive of Loews which has a stake of almost 25 per cent in the company, has been appointed chairman of a newly-formed management committee and acting chief executive. He will serve until a new chief executive is found and Mr Paley will serve as acting chairman of the board during the transition period.

The other members of the new management committee are Mr Michel Bergerac, the former chief executive of Revlon, Dr Harold Brown, a former US Secretary of Defence, and Mr James Wolfensohn who runs his own small investment bank. CBS says it has set up a search committee headed by Dr Brown to seek out a new chairman and chief executive.

Mr Tisch stressed that he did not intend to take over CBS and committed himself to maintaining its independence.

Mr Wyman's resignation is expected to be followed by a further shake up in CBS' top management.

INTERNATIONAL COMPANIES and FINANCE

BankAmerica may sell offshoot

BY WILLIAM HALL IN NEW YORK

BANKAMERICA, the struggling West Coast banking group, is considering selling its large and profitable Italian banking operation, Banca d'America E d'Italia, in a move which could raise more than $700m.

The Italian bank was one of the first overseas ventures of the legendary A.P. Giannini, who founded BankAmerica and went on to create one of the biggest financial empires in US history. The news that BankAmerica is seriously considering selling its Italian operation underlines the wrenching changes which are underway at what was until recently the biggest bank in the world.

BankAmerica lost $640m in the second quarter and is under considerable pressure to strengthen its capital base and slim down its sprawling worldwide banking operations. The bank recently announced it was scrapping plans to establish a retail banking network in Australia and is also planning to sell part of its Argentinian operations.

In a brief statement from its San Francisco headquarters, BankAmerica said it had had "expressions of interest" from other banks interested in acquiring Banca d'America E d'Italia, which is the fifth biggest bank in Italy. It has assets of about $4bn and earned about $35m last year. It has 98 branches and employs 2,980 people.

BankAmerica said it would consider offers which were "well thought out" but beyond that it had no comment. Italian newspapers have said that several leading Italian banks have expressed interest in buying the Milan-based bank and there has been speculation that some foreign banks, such as Germany's Deutsche Bank, have shown interest.

Boliden plans SKr 1bn disposals

By Sara Webb in Stockholm

BOLIDEN, the loss-making Swedish metals, chemicals, and mining group, is selling off several subsidiaries worth about SKr 1bn ($145m).

Some of the companies were acquired by Boliden when it took over the Swedish trading concern Ahlshell earlier this year. Boliden says that they do not fit in with its metals and mining profile.

Sattcontrol, a former Ahlshell company which sells integrated systems, has already been sold to Alfa-Laval for an undisclosed sum.

Other companies up for sale include AEG Hem & Hushall and Osby-Pannan, two kitchen and white goods companies, Medicare, the medical and dental services company which has proved unprofitable, loss-making Boliden Intertrade Oils, and Inred, the iron ore treatment company.

Boliden also aims to sell its 50 per cent share in Preussag-Boliden-Blei, which melts lead, and its 50 per cent interest in Carbogel, the energy technology company.

Mr Kjell Nilsson, Boliden's new president and executive chief officer, is keen to restore Boliden to its metals and mining priorities in an attempt to put the company back on its feet.

The company last month reported a SKr 181m pre-tax loss in the first half, compared with a profit of SKr 184m a year earlier.

Trelleborg, a southern Swedish industrial products group last April bought a large stake in Boliden and owns about 45 per cent of the company.

Mediobanca lifts profits

By Alan Friedman in Milan

MEDIOBANCA, the Milan merchant bank 57 per cent controlled by the IRI state holding group, last night announced a L172.8bn ($121m) profit for the year ended last June 30. This compares with a profit of L129.7bn in the previous year.

Mediobanca said the 1985-86 profit was struck after setting aside L71bn for reserves and bad debt provisions. The board of Mediobanca also approved the issue of up to L4,000bn of bond issues in the current financial year, more than double the previous level.

Domtar looks at a bid for Genstar assets

By Our Financial Staff

DOMTAR is "internally considering" making a bid for some of the US building material assets being shed by Genstar, particularly gypsum operations. Imasco, 44 per cent owned by BAT of the UK, acquired Genstar in a C$2.6bn (US$1.8bn) takeover, and has begun shedding assets.

Mr James Smith, Domtar president, declined to forecast group earnings for the year, but said the outlook for several product lines was good. First-half earnings rose to C$66m from C$54m.

Genstar's building-products operations, including gypsum, roofing, lime and stone products, have been put up for sale through a controlled auction process

Commenting on Domtar's prospects Mr Smith said gypsum operations had been benefiting from continued improved housing starts.

INTL. COMPANIES and FINANCE

Pechiney delays move on plants

BY PAUL BETTS IN WILLIAMSBURG, VIRGINIA

PECHINEY, the French nationalised aluminium and special metals group, has decided to postpone until the end of November e decision to close down two of its French aluminium plants.

The temporary reprieve, announced by Mr Jean Gandois, Pechiney's new chairman, appears designed to put pressure on Electricité de France (EdF) the French electricity utility, to lower its industrial electricity tariff to enhance the competitiveness of French industries which are heavy consumers of electricity.

Pechiney announced plans earlier this year progressively to close its plants at Nogueres near the Pyrenees and Riouperoux in the Grenoble region. This would have eventually cut the company's French aluminium capacity by 140,000 tonnes a year to 220,000 tonnes a year. It involves shedding almost 1,000 jobs.

The group, the world's third-largest aluminium producer, has a worldwide aluminium capacity of about 1m tonnes a year with plants in Australia and Canada among other countries.

Although the two French plants are old and ultimately doomed to be either closed or replaced by modern facilities, Mr Gandois seemed intent on turning the future of these two plants into a test case of French industrial electricity price-setting.

The press conference held in Williamsburg, Virginia, is the first since he was appointed chairman of Pechiney at the end of July. Mr Gandois asked whether France could afford in the longer term to produce aluminium domestically. He suggested that, at current French electricity prices, the French aluminium industry and other industrial sectors with heavy electricity consumption would be in no position to compete internationally.

Mr Gandois is visiting Pechiney's north American operations where he attended the official opening of the new $1bn Becancour aluminium smelter in Quebec in which Pechiney has a 50.1 per cent stake.

Public listing for Malaysian shipping group

By Our Kuala Lumpur Correspondent

THE MALAYSIAN Government has approved a proposal by the board of Malaysian International Shipping Corporation (MISC) for the company to be listed on the Kuala Lumpnr stock exchange.

Mr Kasitah Gaddam, Minister without Portfolio, said yesterday the shipping company would be calling a shareholders' meeting on September 24 to approve the plan for a public listing by February next year.

MISC, which is 57 per cent owned by the Malaysian Government, is the second state-owned agency to get a public listing after Malaysian Airlina System, which went public last December, in accordance with the Government's privatisation programme.

Mr Kasitah said MISC's paid-up capital, currently et 100m ringgit, would be increased to 500m ringgit when it becomes a quoted company.

The shipping company was formed in the late 1960s and has 40 ships with a total of 1.38m dwt.

Despite the recession in the world's shipping industry, MISC had after-tax profits of 162m ringgit ($62.3m) for 1985 compared with 49.5m ringgit in 1984. Most of the profits came from the operations of its five liquid natural gas tankers

● Guthrie Ropel has moved heavily into the red for the first half of 1986 and will not pay an interim dividend. Net loss for the half-year is 1.47m ringgit, against 5.25m ringgit. Sales for the six months were 28.8m ringgit, down from 39.7m ringgit.

Akzo plans Fl 300m financing

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch chemicals ond fibres group, has launched a novel warrant issue that will raise about Fl 300m ($128.7m) for further acquisitions and strengthening the balance sheet.

The paper entitles holders to purchase one comon share at a price of Fl 120 between May 1988 and September 1991. The exercise price of Fl 120 is significantly below the current share price of Fl 163.

The arvantage for Akzo is the certainty of getting about Fl 200m in fresh capital during a given period while the advantake for the investor is the leverage of buying the stock below market price.

Only current stockholders can purchase the warrants on a basis of 20 shares for one warrant at a price of Fl 48. The purchase price plus exercise together amount to Fl 168, only Fl 5 above the current share price.

Traditional warrants carry an exercise price above the stock price at the time of issue, meaning that holders will exercise only if the share price rises. This provides less certainlyy for the issuing company.

This is the first time in two years that Akzo has tapped the domestic Dutch market. The Arnhem-based company has been looking for some time for a US acquisition and is investing heavily in new, high-tech products.

● Ahold said the sharply lower dollar limited its profit rise to 5 per cent and eroded revenue by 7 per cent in the first seven months of 1986, but the Dutch consumer-goods group added that it still expected full-year earnings to rise.

Net income amounted to Fl 65.7m in the 28 weeks, compared with Fl 62.6m in the same period last year.

Operating results in the US, where Ahold derives about one-third of its turnover, also increased dne to better sales.

Revenne amounted to Fl 6.18bn compared with Fl 6.6bn, although turnover expressed in local currencies rose in both the Netherlands and the US.

Ahold, which is based in Zaandam, forecast that earnings for all of 1986 would surpass the Fl 122m of last year despite the weaker dollar.

Limits on Malaysia bank stakes

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN corporations which had earlier announced proposals to take np major stakes in banks have now revised their plans in accordance with the ruling by Bank Negara, the central bank, that they can only acquire a maximum of 20 per cent in a bank.

Bank Negara introduced the 20 per cent equity limit for bank acquisitions last year to diversify bank ownership to strengthen the banking industry.

Termeloh Rubber Estates, the publicly listed vehicle of Datuk Syed Kechik, has disclosed that the central bank has approved its proposal to buy into Development and Commercial Bank, but limited the stake to 20 per cent.

Originally, Temerloh was to acquire the entire 32.9 per cent in D and C Bank from Syed Kechik.

Temerloh will now pay 40.68m ringgit (US$15.6m) for the 20 per cent stake, by issuing 9.68m new 1 ringgit shares valned at 4.2 ringgit a piece.

Melewar Corporation, which is controlled by the Royal Family of Negri Sembilan State, is said to have dropped plans to acquire Roxy Corporation.

Roxy owns 33 per cent of D and C Bank, but if Melewar acquires Roxy, it would have to ensure that Roxy rednces its stake in the bank to 20 per cent.

According to bankers, this would make Roxy a less attractive company for Melewar, which is also offering too high a price for Roxy, compared with the current traded price of the company. It offered to buy Roxy at 3 ringgit e share and the shares are now being traded at 2.4 ringgit.

Another listed company, Raleigh, which is controlled by the family or Mr Daim Zainuddin, the Malaysian Finance Minister, also announced it was not going ahead with its acquisition of 20 per cent in United Malayan Banking Corporation. It said the deal had lapsed as no approval was forthcoming from the Foreign Investment Committee.

INTERNATIONAL COMPANIES and FINANCE

JP Morgan elects English president

By Our New York Staff

MR DENNIS WEATHERSTONE, a 55 year old Englishman, has been elected president of J. P. Morgan in a move which makes him the leading contender for the chairmanship at the New York bank, which is not the biggest bank in America, but is the most profitable and the most prestigious.

J. P. Morgan, parent of the Morgan Guarantee Trust company, announced that Mr Weatherstone would become president of the holding company and the main banking subsidiary on January 1, 1987 when Mr Robert Lindsay takes early retirement. Mr Lindsay, oged 61, has been president since January 1, 1980 and Morgan said yesterday that it bad been known for a long time that be had wanted to retire by the end end of this year and that there was no surprise about his departure. He will resign from the board.

Mr Weatherstone, who has made his name as an expert in the foreign exchange and world money markets, is one of only a handful of British bankers to rise to the upper echelons of a major US bank. He began his career with the Guarantee Trust Company, a predecessor of Morgan Guarantee, in London in 1946. Yesterday's announcement makes Mr Weatherstone a leading candidate to succeed Mr Lewis T. Preston, aged 60 the chairman and chief executive of J. P. Morgan for the last six years.

Mr Weatherstone spent the first 25 years of his banking career in Morgan's large London operations before transferring to New York in 1971. He became bead of the bank's foreign exchange and international treasury areas in 1972 and was elected an executive vice president and treasurer in 1977. Two years later be was appointed a vice chairman and since January 1, 1980 has been chairman of Morgan's executive committee.

He is an associate of the Institute of Chartered Secretaries and Administrators and a Fellow of the Institute of Bankers, having prepared for professional qualifying exams at the North Western Polytechnic in London.

Clare Pearson on the outcry over the flood of equity-warrant bonds

Japanese follow fashion and ignore reaction

THE FASHION for arranging equity-warrant bonds for Jspanese companies was never more clearly demonstrated than when Nomura International launched a $200m deal for Asahi Chemical this week. This deal took the number of Eurobonds Nomura had led this year to 100, and of these 30 had been bonds carrying warrants that are convertible into equity.

But the syndicate manager's meat may be the trader's poison. Traders are complaining thot the market is heavily oversupplied with equity-warrant peper. Many deals issued ot par are finding buyers only when their prices have sunk to aronnd 95.

There is a general outcry that either the flood of new deals must ease or coupons must be boosted. Most are now at 3¼ per cent.

Japanese equity-warrant bonds display a uniformity of pricing, regardless of the calibre of the borrower, that is unique in the Eurobond market. Once ooe company has set a precedent with its borrowing cost, Japanese securities houses seem powerless to persuade another that it cannot do so well.

Yamaichi International set in train the trend to 3¼ per cent coupons on five-year issues with a deal for Asics Corporation, launched et the end of last month. Before this, issues had been appearing with 2¾ per cent coupons, but were only changing hands at substantial discounts.

> Securities houses seem powerless to persuade companies against following a precedent in borrowing costs

Since then most houses have kept to the new benchmark, although there have been a few exceptions, such as Daiwa Europe's deal for QP Corporation which stuck to the old 2¾ per cent formula.

When Nomura issued a bond for Nomura Securities, its parent company, it priced it with o 3¼ per cent coupon. Most traders said that, given the prestige of the borrower, this issue could have been launched without a coupon and would still have traded at a premium. But Nomura was determined to set an example for its corporate clients.

Yet these days even 3¼ per cent coupons are not high enough, traders say. At present trading levels, some borrowers would have to pay 4 per cent to get their issues away. Traders also argue that less well-known Japanese companies are probably out of place in the dollar Eurobond market anyway, particularly when borrowing only small amounts of money.

Four or five years ago, before they were able to swap borrowings in other currencies into yen, such companies would have arranged private placements of convertibles in the Swiss market. Only large Japanese companies with dollar assets to finance brought dollar equity-warrant bonds to the market.

Swaps out of dollars into yen have been cheaper than those out of Swiss francs for much of this year, producing an avalanche of deals for a broad range of companies.

By borrowing at a rate of 3¼ per cent in dollars and swapping the proceeds, a yen rate of between 1½ and 2 per cent can be achieved.

Companies can gain a significant yield pick-up by investing money at these rates in the fixed interest securities markets, so it is worth their while to borrow, whatever their actual investment plans.

> In many traders' view the solution to the problem is to introduce more differentiated pricing

The drive to lower coupons began at the start of this year wben Japanese investors were allowed for the first time to invest in warrants. This massive boost to liquidity produced euphoric trading in Europe, and coupon levels plunged to 2½ per cent as issues traded way above par.

Since then the market has suffered a number of shake-outs, the most recent being triggered by a sharp decline in the US Treasury bond market, which has shaved about 2 per cent off the value of the bon.\ element of the issues.

Meanwhile some nervousness about the Tokyo stock market, which has been moving erratically recently, has developed.

Warrants issues for companies geared to the Japanese domestic market, which stand to gain most from the domestic economic stimulation package being prepared are still in favour.

This has helped warrants issues for companies like QP Corporation, the mayonnaise manufacturer, to find favour. But in contrast, a recent deal for Sonoike, tha machine-tool maker, which is dependent on making sales abroad, has plummeted.

In many trader's view, the solution to the problem is to introduce more differentiated pricing. When the premium at which the secondary market is valuing warrants is around 14 per cent, it seems ludicrous to continue to price deals with a 19 per cent premium in the primary market. Whether Japanese companies can be persuaded of the wisdom of this is a different matter.

Tokyo fees undercut by foreign brokers

BY YOKO SHIBATA IN TOKYO

THE six US and UK stockbrokers, which earlier this year became members of the Tokyo Stock Exchange, have already found a nichs in the market. They are using their London and New York offices to help institutional investors avoid Tokyo's high brokerage commission rates and carry on trading round the clock.

The Tokyo Stock Exchange is upset obout the development, but can do little to prevent it. Observers expect the exchange will be obliged to lower commission rates or permit negotiated rates for big block trades.

The service offered by the foreign brokers involves asking the big institutions, such as Nippon Life Insurance, to have their New York or London offices place their block orders for Japanese shares through a broker's New York or London offices.

If the brokers can find the shares, or buyers, offshore, then both sides of the transaction can be completed on a negotiated commission basis. There can be substantial savings even if only one side of the deal is done outside Japan.

One big insurance company now does about 5 per cent of its trading in Japanese shares in this way. Another uses the foreign route only for purchases of Japanese shares.

So far, the six foreign brokers, which include Goldman Sachs, Morgan Stanley, Merrill Lynch, S. G. Warburg, Vickers da Costa and Jardine Fleming, have managed to win very little TSE business. In the July and August period, they accounted for only one per cent of the daily turnover in Tokyo. However, their block trading through offshore offices is believed to be about double this level.

There is nothing to stop the large Japanese brokers from doing these deals, but they would have difficulty explaining why they were undermining a system from which they benefit so bandsomely.

Commission rates in Japan are extremely high, amounting to 0.55 per cent on block trades of over Y50bn, for example. Commision income of the top four brokers in August totalled Y134.8bn ($871m)

Selling wave hits bond market

BY CLARE PEARSON

PRICES OF floating-rate notes (FRNs) collapsed along with fixed-rate deals yesterday, even so Province of Quebec issued a $300m 15-year FRN.

The selling wave set in as rumours circulated that today'o US economic data would be strong enough to rule out interest rate easing measures.

As short-term rates rose, selling pressure reached the FRN market and even last week's $4bn deal for the United Kingdom fell by about 15 basis points to a bid price of 99.55.

Credit Suisse First Boston, which led Quebec's deal, fixed its interest payments at six-month London interbank bid rate flat and price at par. Fees totalled 40 basis points.

Dealers said that until yesterday these terms would not have been over-aggressive. But yesterday the deal sank, and a bid as low as 99.10 appeared on one broker's screen during the morning. Credit Suisse First Boston quoted a 99.35 bid price late in the afternoon.

As fixed-rate bond prices tumbled, no new fixed-rate dollar deals were launched although McLeod Young Weir issued a C$60m seven-year 10¼ per cent bond for Alberta Notural Gas, the Canadian pipeline owner and operator.

The lead-manager admitted that syndication was tough although there was some investor interest, as seven-year Canadian dollar bonds are thin on the ground. The deal was priced at 100⅛ and was quoted at discounts to issue price around the level of its total fees.

Morgan Stanley, with Goldman Sachs as co-lead, meanwhile launched a $200m convertible bond for Chubb, the US property casualty insurance company. The seven-year bond has interest payments fixed at 5¼ per cent and it is priced at par. The bonds are convertible into Chubb equity at a price of $85.3, a 25 per cent premium over Wednesday's close in New York.

Elsewhere Nikko Securities issued e Y20bn bond for Citicorp targetted at Japanese investors. The five-year bond's coupon was set at 3¼ per cent and issue price at 114¼, although the deal is redeemable at par.

High coupon bonds of this type appeal to Japanese insurance companies which want to improve immediate gains.

Nomura International priced its recent $200m equity-warrant bond for parent company Nomura International. The coupon was fixed at 3¼ per cent, as had been indicated. Warrants may be exercised into shares for Y3,465. This was below the closing level in Tokyo yesterday, but Nomura said it reflected the one-for-20 free share distribution

In the D-mark market prices fell sharply, with longer-dated bonds moving down by around one point.

In the Swiss franc market prices eased by about ¼ point

Australian dollar bonds and bonds in other currencies for Australia firmed slightly in London trading yesterday.

In Continental markets, however, Australian issues came under continued selling pressure.

Credit for German metals unit

By Peter Montagnon, Euromarkets Correspondent

M E T ALLGESELLSCHAFT, the West German metals and engineering group, has arranged a $75m revolving credit as part of a multiple loan facility designed to add to its flexibility in short-term borrowings. The facility is the first of such comprehensive kind for a German industrial borrower.

Led by Deutsche Bank and Citicorp, the five-year credit carries a basic margin of 10 basis points over the London interbank offered rate for Eurocurrency deposits. In addition the borrower will pay a utilisation fee of 5 basic points on drawings over $25m.

At the same time Metallgesellschaft is launching a multicurrency advances and acceptance facility as well as a Eurocommercial paper programme totalling $100m in aggregate.

Dealers in the Eurocommercial paper will be Citicorp, Credit Suisse First Boston and Deutsche Bank.

● The five-year sterling loan facility being arranged by S. G. Warburg for the UK's Granada entertainment group has been increased from an original £75m because of heavy oversubscription. The committed or underwritten portion rises to £125m and the uncommitted portion to £250m.

The increase underlines the current strong demand for short-term sterling loan instruments.

CME aims for Australian $ futures trading

By Alexander Nicoll in Buergenstock, Switzerland

THE CHICAGO Mercantile Exchange (CME) said yesterday that it was seeking regulatory approval to trade futures on the Australian dollar.

Mr William Brodsky, the exchange's president, said the Australian dollar was the most actively traded currency in the foreign exchange market which has not yet traded on the CME, which trades futures on six currencies.

He said the CME's decision had not been influenced by the recent volatility of the Australian dollar. Several Australian banks have already indicated that they would join the CME if Australian dollar futures were traded, he said.

Australian dollar futures are already traded on the Sydney Futures Exchange, Mr David Rutledge, depnty chairman of the SFE, said his exchange would alter its contract so as to be identical with that of the CME, but that the contracts would not be interchangeable.

The two men were attending an international meeting of futures exchange executives in Switzerland.

Swiss issues top SFr 100bn level in 1985

By John Wicks in Zurich

THE VALUE of outstanding bonds issued by Swiss borrowers passed the SFr 100bn for the first time in 1985, according to estimates by Union Bank of Switzerland.

Last year net growth is estimated to have grown from SFr 98.1bn to some SFr 105bn. This is more than six times the domestic bond debt total for 1980 and equal to about one-third of the overall domestic credit volume of the Swiss banking system.

Grundig cuts losses sharply

BY OUR FINANCIAL STAFF

GRUNDIG, the West German consumer electronics company now run by Philips of Holland, cut losses sharply in the year to March 31, beating its own forecast and reinforcing its aim of a return to profitability this year.

Mr Hermanus Koning, the chief executive, said: "We hope to be in the black by the end of calendar 1986." For the whole of the 1986-87 year "we have our sights set on a reasonable profit."

The loss for the past year fell from DM 185m to DM 49m ($24m) compared with a forecast of around DM 80m by Mr Koning o year ago. In 1983-84, before the Dutch gronp took control of the management, the loss was DM 286m.

Incinded in the results were the high costs of streamlining Grundig into a less unwieldy concern by shedding staff, closing surplus capacity in and outside Germany, and updating the product range. Reorganisation costs totalled DM 220m, inclnding DM 86m set aside for this year.

At the operating level, Grundig managed to produce "a slightly positive result," said Mr Pieter de Jong, finance director. This compared with operating losses of around DM 100m in the previous year. Turnover increase by 3.5 per cent to DM 2.92bn and stocks were cut by a further 30 per cent to DM 564m.

The company is now moving into the second phase of its recovery, namely the installation of modern, automated systems of prodnction. Investments for the next two financial years would total around DM 300m.

Grundig expects its workforce to be down to 18,500 by next autumn compared with its previous aim of 18,000 at the end of next March. Last year it was cut by 300 to 19,730.

Turnover per employee had risen by 50 per cent in the past three years, noted Mr de Jong. But tough competition, especially from the Far East, meant average revenue per product was 3.5 per cent lower in 1985-1986 than the year before.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on September 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amoco Co. 9¾ 16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Atlan. Richfield 10¾ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11¾ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME 10⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 9⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amer. Ex. OS Cr. 0 91 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bremer Lddsbk. 12½ 91 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fiat Finance 14½ 89 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 12⅞ 89 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Landsbk. Rhein. 13 89 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10⅝ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chrysler Corpn. 10 91 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar Fin. 11⅛ 95 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9⅛ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 10⅝ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears Acc. 10⅝ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola F. C. 17 90 NS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 17½ 89 NS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever Cap. 17½ 89 NS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $200,000,000

NATIONAL BANK OF CANADA

Floating Rate Deposit Notes Due 1996

MORGAN STANLEY INTERNATIONAL

CREDIT SUISSE FIRST BOSTON Limited — GOLDMAN SACHS INTERNATIONAL CORP. — SOCIETE GENERALE

BANK OF YOKOHAMA (EUROPE) S.A. — LTCB INTERNATIONAL Limited

MERRILL LYNCH CAPITAL MARKETS — MORGAN GUARANTY LTD

ARAB BANKING CORPORATION (ABC) — BANKAMERICA CAPITAL MARKETS GROUP

BANK OF TOKYO INTERNATIONAL Limited — BANKERS TRUST INTERNATIONAL Limited

BANQUE BRUXELLES LAMBERT S.A. — BANQUE INDOSUEZ — BANQUE NATIONALE DE PARIS

BANQUE PARIBAS CAPITAL MARKETS Limited — CREDIT LYONNAIS

DAI-ICHI KANGYO INTERNATIONAL Limited — FIRST INTERSTATE CAPITAL MARKETS Limited — GENERALE BANK

GULF INTERNATIONAL BANK B.S.C. — MANUFACTURERS HANOVER Limited

MITSUBISHI FINANCE INTERNATIONAL Limited — SAMUEL MONTAGU & CO. Limited

THE NATIONAL BANK OF KUWAIT S.A.K. — NIPPON CREDIT INTERNATIONAL (HK) LTD.

SAITAMA BANK (EUROPE) S.A. — SANWA INTERNATIONAL Limited

SUMITOMO FINANCE INTERNATIONAL — TAIYO KOBE INTERNATIONAL Limited

TAKUGIN INTERNATIONAL BANK (EUROPE) S.A. — YASUDA TRUST EUROPE Limited

September 1986

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $150,000,000

NATIONAL BANK OF CANADA

Floating Rate Debentures, Series 7, Due 1998

MORGAN STANLEY INTERNATIONAL

CREDIT SUISSE FIRST BOSTON Limited — GOLDMAN SACHS INTERNATIONAL CORP.

BANK OF YOKOHAMA (EUROPE) S.A. — LTCB INTERNATIONAL Limited

MERRILL LYNCH CAPITAL MARKETS — MORGAN GUARANTY LTD — SOCIETE GENERALE

ARAB BANKING CORPORATION (ABC) — BANK OF TOKYO INTERNATIONAL Limited

BANKERS TRUST INTERNATIONAL Limited — BANQUE BRUXELLES LAMBERT S.A.

BANQUE INDOSUEZ — BANQUE NATIONALE DE PARIS — BANQUE PARIBAS CAPITAL MARKETS Limited

CREDIT LYONNAIS — DAI-ICHI KANGYO INTERNATIONAL Limited — DEN NORSKE CREDITBANK

GENERALE BANK — GULF INTERNATIONAL BANK B.S.C.

KREDIETBANK INTERNATIONAL GROUP — MANUFACTURERS HANOVER Limited

MITSUBISHI FINANCE INTERNATIONAL Limited — SAMUEL MONTAGU & CO. Limited

THE NATIONAL BANK OF KUWAIT S.A.K. — THE NATIONAL COMMERCIAL BANK (SAUDI ARABIA)

NIPPON CREDIT INTERNATIONAL (HK) LTD. — SAITAMA BANK (EUROPE) S.A.

SANWA INTERNATIONAL Limited — SUMITOMO FINANCE INTERNATIONAL

TAKUGIN INTERNATIONAL BANK (EUROPE) S.A. — YASUDA TRUST EUROPE Limited

September 1986

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $150,000,000

Scotiabank
THE BANK OF NOVA SCOTIA

7⅞% Deposit Notes Due June 30, 1991
120,000 Warrants to Put on June 30, 1989
U.S. $120,000,000 of the Deposit Notes

MORGAN STANLEY INTERNATIONAL — THE BANK OF NOVA SCOTIA CHANNEL ISLANDS Limited

BANQUE BRUXELLES LAMBERT S.A. — BANQUE GENERALE DU LUXEMBOURG S.A.

BAYERISCHE LANDESBANK Girozentrale — BURNS FRY Limited

CHEMICAL BANK INTERNATIONAL GROUP — CREDIT SUISSE FIRST BOSTON Limited

GOLDMAN SACHS INTERNATIONAL CORP. — McLEOD YOUNG WEIR INTERNATIONAL Limited

MORGAN GUARANTY LTD — SANWA INTERNATIONAL Limited

J. HENRY SCHRODER WAGG & CO. Limited — UNION BANK OF SWITZERLAND (SECURITIES) Limited

WESTDEUTSCHE LANDESBANK Girozentrale — WOOD GUNDY INC.

September 1986

All of these Securities have been sold. This announcement appears as a matter of record only.

N.Z. $50,000,000

Scotiabank
THE BANK OF NOVA SCOTIA

18½% Deposit Notes Due 1989

MORGAN STANLEY INTERNATIONAL

BANQUE BRUXELLES LAMBERT S.A. — BANQUE GENERALE DU LUXEMBOURG S.A.

BAYERISCHE LANDESBANK GIROZENTRALE — GOLDMAN SACHS INTERNATIONAL CORP.

BANK FUER GEMEINWIRTSCHAFT Aktiengesellschaft — THE BANK OF NOVA SCOTIA CHANNEL ISLANDS Limited

BANQUE PARIBAS CAPITAL MARKETS Limited — CHEMICAL BANK INTERNATIONAL GROUP

CREDIT SUISSE FIRST BOSTON Limited — DAIWA EUROPE LIMITED — DOMINION SECURITIES PITFIELD Limited

GIROZENTRALE UND BANK DER OESTERREICHISCHEN SPARKASSEN Aktiengesellschaft — GREAT PACIFIC CAPITAL

McLEOD YOUNG WEIR INTERNATIONAL Limited — MERRILL LYNCH CAPITAL MARKETS — SAMUEL MONTAGU & CO. Limited

NEDERLANDSE CREDIETBANK N.V. — THE NIKKO SECURITIES CO., (EUROPE) LTD.

NOMURA INTERNATIONAL Limited — RABOBANK NEDERLAND — SANWA INTERNATIONAL Limited

J. HENRY SCHRODER WAGG & CO. Limited — WOOD GUNDY INC. — YAMAICHI INTERNATIONAL (EUROPE) Limited

September 1986

Aviation, boatbuilding and electronics are the three industrial areas which the Isle of Wight hopes to expand but for tourism and agriculture tougher times lie ahead

Still lacking a unified voice

JUST A couple of miles of crowded water separate the Isle of Wight from South Hampshire but the great divide which both moulds and separates the island community continues to dominate its fortunes and its thinking.

Many attempts have been made to join the island both administratively and physically to the mainland but all have failed. A combination of dogged self-determination and natural talent have helped to create a very pleasant, sometimes successful, sometimes reactionary lifestyle.

Although lumped into prosperous south Hampshire and therefore given little political sympathy, the island has an unemployment rate of about 18 per cent in the winter when the seasonal tourism jobs come to an end. With a further 48 per cent of tha population being retired, that can mean a disturbingly low active percentage of the population.

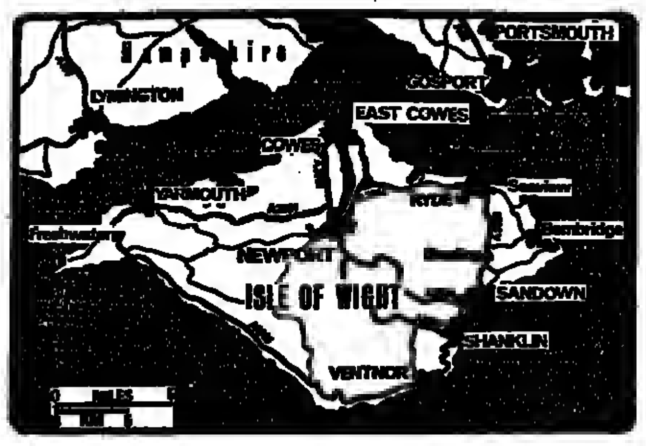
New studies and plans are being devised to boost the economy although existing companies do well in some of the most fiercely competitive markets.

There is no one perception of the island despite the confines of 110 square miles sitting off the central southern coast of Britain. To many families, the island is a southern cluster of summer holiday towns; to yachtsmen it is Cowes with the occasional foray to Bembridge, Ryde, Seaview or, at the western end, Yarmouth.

To generations of pilots it is a centre of aircraft development, the boma of the bovercraft. To electronics engineers it is the bome of Plessey Radar; and to the more recalcitrant in societ it means Parkhurst, Albany and Camp Hill prisons.

At every turn the island demonstrates an example of the present face of the British economy. The farmers are having to cope with surpluses, quotas and crop substitution. At least they have a favourable climata to help them.

The tourist industry has been hit generally by the downturn in popularity of the older British resorts. This has been compounded by both two years of poor summers and an embarrassing collapse of the local tourist board which had to go into voluntary liquidation with debts of about £200,000 and then turn to the Southern Tourist Board, on the mainland at Eastleigh for new leadership and planning.



Report written by Stuart Alexander

Both the British Hovercraft Corporation, as part of Westland, and Plessey hava recently been at tha centre of considerable doubt about their future; in both cases unions and management joined together to fight proposals which would have seen them taken over by groups which may not have seen the island plants as indispensable. Even then, they are fighting in world markets where the competition is very hard and often influenced by government intervention.

The Islandar aircraft can be found all over the world, but has faced a downturn in global markets, though the company is now confident that its Defender version, carrying an early warning or battle surveillance system, will boost production and jobs.

Perversely, the neighbouring ARV company which has pioneered a lightweight training aircraft and needs extra production capacity may be lost to the island because of substantial cash incentives offered by another region of the UK with big industrial grant and aid funding.

The island does have rural development area status and the Development Commission, through CoSIRA, has given much assistance to many small firms. But the conflict which arises between local efforts to attract and help industry, paid for by ratepayers' and national efforts to lure away industry, paid for through taxes, is causing some anger. More intensive lobbying of ministers and Whitehall is being planned.

That, too, is another feature. In a small way the island is one mass, even morass, of lobbying and in-fighting. With three major councils—Isla of Wight County, Medina, and South Wight—two Liberal and one Conservative, there is plenty of room for sectional interests. Add to that 25 town and parish councils and the island seems to have too mnch bureaucracy and democracy.

The Boundaries Commission has accepted the proposition that there should be one major authority for the whole of the island, but says it does not have the legal powers to take the matter further. And on the wider front, the island feels similarly frustrated when trying to persuade the Government that it is not part of Hampshire prosperity.

It needs special support for its ferry services—there are enough of them—to Yarmouth, Cowes and Ryde and the new Sealink hover service has won plaudits for comfort and criticism for increased fares.

The new chairman of the Development Board, Sir John Nicholson, a former Lieutenant Governor and commodore of the Royal Yacht Squadron, says he sees the future in three areas, aviation, boatbuilding and electronics—tha important sector of tourism is being handled separately. There are high hopes that a technology park will be established by the and of the year but this is dependent on finding a private developer to put up the funds.

He justifies basing his efforts this way on a combination of established skills and the need to concentrate on high value, low volume goods which will not be affected by additional trans-Solent shipment costs.

He is also conducting a poll of the near-8,000 unemployed to see what skills and aspirations exist in order to match tha remedies to the need. He is being helped in this by the Isle of Wight College of Arts and Technology, which has a series of courses in partnership with local industry in order to try and compensate for the fall-off in the training and apprenticeship programmes conducted by industry and commerce itself.

They also manage to attract over 10,000 people through their doors in any ona academic year; that is nearly 10 per cent of the population, both a staggering statistic and a reflection of the way in which the islanders are determined to help themselves.

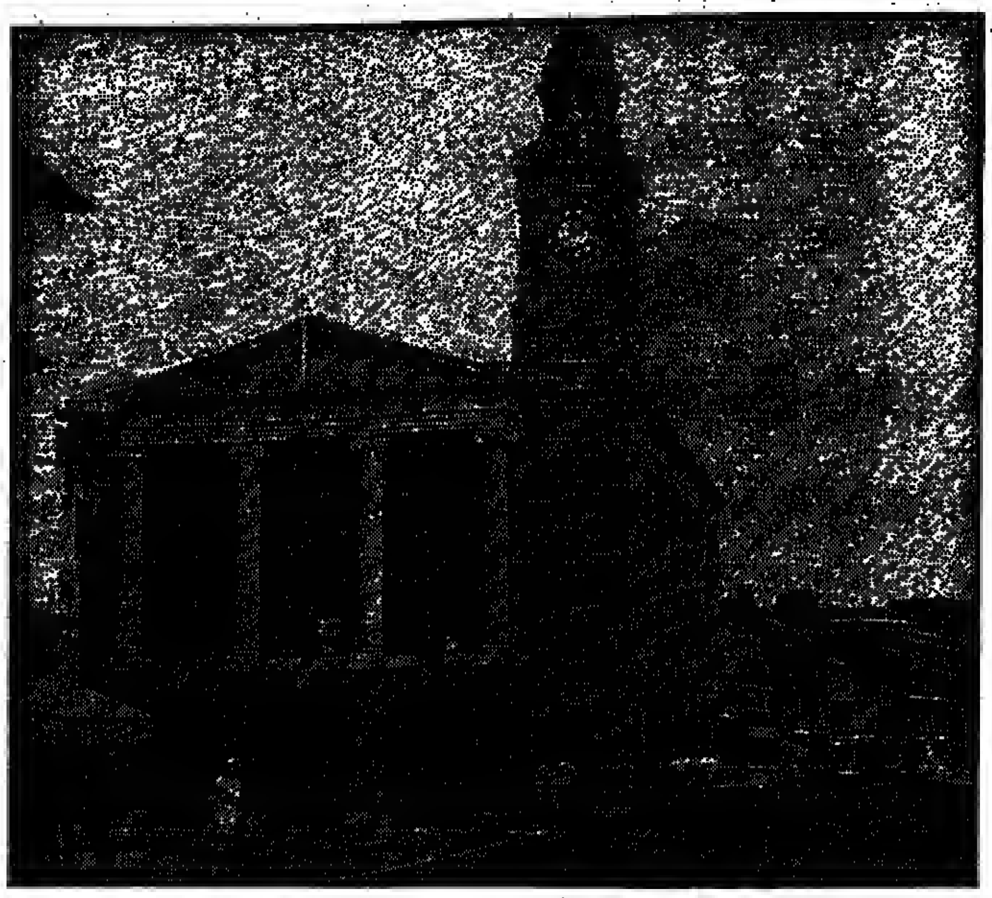
There will always be individuals who win through and one example is Brian Stilwell who brought a small printing business down from Weybridge in Surrey, developed the process by which the same techniques can be used to make the touch keyboards for computers and car dashboard instruments and ended up supplying first Sinclair and now IBM, Philips, and Ford.

His company is to be floated on the Unlisted Securities Market at the turn of the year and his 300 employees can take pride in being part of that success.

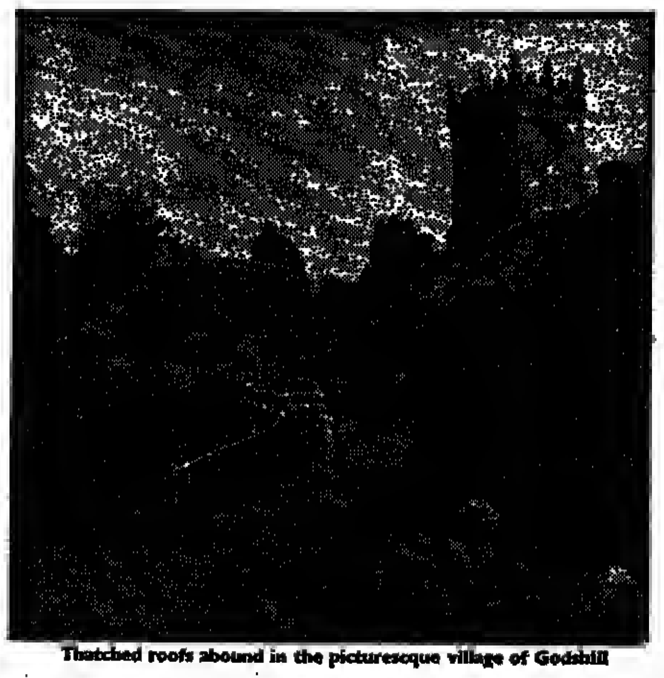
Other individuals have different and tougher struggles. Best known on the island is its MP Stephen Ross, who has also been leader of the County Council. He has fought the ferry companies over fares, the Government over subsidies, support and administration, and his own colleagues, Liberals, end opposition Tories alike—the Labour party has not found the island fertile ground—over the need to give enterprise support and the room to breathe.

He will not be standing at the next election so the island must find a new champion, but he remains firmly convinced that, above all, there is a need for less government by a multiplicity of councils and their myriad officials and another ettempt to concentrate power and strategic direction in one council and an island leader with business flair.

But he remains enchanted with an island that has all the attributes of Brittany: coastline, yachting, shellfish, scenery, tourism and good local food.



Newport's High Street from the Guildhall



Thatched roofs abound in the picturesque village of Godshill

Property

House prices move up

IS THERE a boom around the corner in the Isle of Wight property market? It is easy to look for reasons why a market seemingly stuffed with bargains must eventually be discovered and given a major boost in values, but apart from shops in the centre of Newport, office, commercial and industrial premises remain static in price. Only house prices have benefited from a healthy rise in percentage terms.

For the first time buyer or a family looking for a low-cost holiday home, the island has many to offer, both inland and near the yachting centres. According to Mr David Bull, a partner in Sir Francis Pittis and Son, residential property prices, as on the mainland, have been running well ahead of inflation and he expects an average 20 per cent increase this year.

This means that the opportunity, available until recently, to buy a house for under £20,000 has all but disappeared and the market is even thin under £30,000 with considerably increased activity up to £40,000. But at the top end of the market, say over £200,000, there has been very little movement or increase, which is as sharp and increasing contrast as one travels over the water to Hampshire and towards London.

Once again the Solent has its influence with the double-edged sword of cutting the cost of living and home ownership for the young workforce and families on the island, and giving incoming executives the chance either to trade up in the size of their home or free some capital from the more expensive property they have relinquished. At the same time, the reverse is the case when it comes to trying to leave the island again.

Certainly, there are some homes, large and small, with fine views over superb countryside or the ever-changing backdrop of the Solent and southern coast at prices which would make the average London executive whistle in disbelief. But there is a shortage of the sort of graceful country properties which seem to proliferate in Sussex and Hampshire.

There are no big markets in offices, shops, hotels or farms, and nearly any industrial property deal would be done with the aid of the development board or CoSIRA. There has been demand for shops in the Newport area as it continues to develop as the island's principal shopping centre. So far, plans to develop another major new centre there have been thwarted as there has been vociferous opposition from traders in the smaller towns who say they would be driven out of business and they have been backed by those who rely on those local amenities.

But the establishment of a major Tesco outlet at Ryde had the effect of stimulating trade—it also hit for six any thoughts that the major distributors may have had of raising the petrol price on the island.

Shops in Cowes have been experiencing a hard time, even without that sort of competition. They were particularly incensed this year when outside traders were offered tented outlets on the promenade during Cowes Week, a time when the year-round traders hope for a major boost to cash-flow.

With office space available in Newport at £2.50 a square foot and down to £1 a square foot elsewhere, and industrial premises probably available at the same cost, there is no deterrent to new or incoming businesses.

There is always a selection of small hotels and boarding houses for sale and after this year's experience there may be more. The greatest demand is in the Sandown area. There, a six to 18 bedroom guest house will make £50,000 to £80,000 with 15 to 20 bedroom hotels commanding £100,000 to £130,000.

The only thing that may be difficult to find is a good new building site but the right development will be given every possible help. There is a site for the first 17-acre phase for the technology park.

Tourism

New recipe for success

THIS YEAR John Slater took his wife and family for a holiday on the Isle of Wight. Not exactly earth-shattering news given that many other peopla do the same and have done for many years. The difference is that John Slater is boss of the Southern Tourist Board and Director of the Isle of Wight Tourist Board.

A busman's holiday, then, and taken at a time when there is a great deal of pressure for an improvement in tha island's tourism structure and fortunes, at the end of e summer which has hardly been encouraging for holidaymakers

The island has been attracting tourists for a long time. The Royal Yacht Squadron settled there over 150 years ago and Queen Victoria built herself a holiday castle there. Tha climate can be sharply different from the mainland but the southern coast resorts of Sandown, Shanklin and Ventnor regularly feature at the top of the sunshine league tables for British holiday resorts.

But the aristocratic image suggested by its former patrons and reinforced by the houses still maintained at Seaview and Bembridge contrasts sharply with the mainstay of tha island's tourists who are ordinary families taking traditional one or two-week summer holidays in boarding houses and small hotels.

No-one knows quite how many people visit the island each year but the official statistics estimate over 900,000 will stay for a week or longer this year and there will have been a further 750,000 day visitors. But this does not take into account the thousands of yachtsmen who call in. What is known is that this compares with a peak of 1.3m staying for a week or longer in 1978-79.

At the same time the island has been wrestling with the problem of attracting a new kind of holidaymaker to the island — and the financial backers to put in the facilities —at e time when its own tourist board efforts are in disarray and have had to be picked up at short notice by the Southern Tourist Board. The islanders don't like having to turn to the mainland for help.

Like everything else on the island, its attraction to holidaymakers is varied and fragmented. It should be a centre for yachting holidays, it has glorious walks and scenery in west Wight, it has the traditional in the south-east, it has opportunities for "gites" holidays in the centre and plens for an international golf course supported by a hotel.

Sadly, its combiantion of coastline an dscenery has been left to bumble along for itself, while the traditional holidaymaker has always been faced by a powerful group making sure that the environment for residents was not spoiled.

It has suffered from a lack of reinvestment by the small ohteliers, and failure to provide a substantial promotional campaign but that seems to be changing. Recently, ther has been a strong positive response from all sections of the community—the councils and the commercial sector.

The job of the newly-constituted tourist board is to persuade everyone to head in the same direction. In addition to the support of the councils and the development board in terms of infrastructure support has been given £67,000 in cash, is duet o receive mcre and has set itself a budget of £500,000 for the current 12 months. Tha rest of the money should come from the commercial sector and, most importantly, from funds which it can itself generate.

John Slater has set to work to produce new objectives, a new business plan and a new image for the island. The Isle of Wight is going to be given the riviera look, sold more aggressively overseas, be packaged for more affluent short-break holidaymakers, even be giver a range of clothes to go with it.

"The island neds two or three flagship developments to boost confidence, add style and pull in th epeople," he says, adding that tha new golf course, being nursed by tha Flux family at Godshill and management consultancy polish by Touche Ross plus a £3m self-catering development planned by Peter Rogers at the Lower Hyde Leisure Park, are examples of the way in which differing interests would be satisfied.

He recognises that the board must first protect the bread and butter main season of summer holidays which support the workforce and businesses—"you ignore that at your peril"—but having done that he wishes to diversify. He wants, also, to get people working together; the ferry companies because their fortunes are so inextricably linked to the fortunes of tha island yet whose pricing structure mitigates against short-break holidays for people with cars; the local councils so that investors, travel operators and journalists will see a real will to succeed; and the industry itself so that the island can deliver on the promises it makes and achieve the potential it undoubtedly possesses.

"We are committed and will do all that we can to help," he says.

"Whila still working hard for the whole of the southern region in my capacity as director of the STB, that board has given me full backing for the work we are doing on the Isle of Wight and we are now well advanced with plans for 1987 which will see a mojor promotional push in London and the south-east as well as in the Midlands.

"If successful commercial groups like Warner Brothars still see good sense in investing in their holiday camps and if over ½m people a year visit Dick Dabell's fantasy theme park Black Gang Chine—and the whole world has heard of Cowes Week—then I am sure we can attract many many more to the very varied and interesting leisure opportunities the island has to offer. Tohse who know what they are doing will succeed."

ISLE OF WIGHT 2

An advanced helicopter blade section being removed from a 26 ft-long autoclave

Industry

Strong in defence services

THE ISLAND'S mainstream industries of aviation, defence electronics, and boatbuilding are all subject to intense international pressure and all have seen their fortunes fluctuate. Some companies fall into difficulties, and rescues involve redundancies.

As an island community it is not surprising that there is a history of boatbuilding and this was expanded in the early days of flying into an aviation industry. The most prominent combination of the two is symbolised by the giant hanger doors of the British Hovercraft Corporation emblazoned with a huge Union Jack to greet everyone who arrives at Cowes by sea. And a further expansion of that central theme is embodied in the Plessey plant on the outskirts of Cowes which makes civilian and military radar systems.

Concentrating on the design and development of sensors, Plessey sells about 80 per cent of its output to the military, including 26 navies worldwide and until two years ago exported 80 per cent of its output. Now three major contracts won from the Ministry of Defence for the Navy, Air Force and Nato will mean a greater proportion of home sales—and an order book stretching ahead for five or six years.

The company has also linked with Ferranti and Racal in the Boeing bid for Britain's principal airborne early warning system and, after the uncertainty during the time when the company was under threat of takeover by GEC, there is now a sense of relief at being able to return to the mainstream business of developing new radars and winning new orders.

Operations director and general manager Roger Barnes, as confident as he can be about the future in a notoriously difficult market, also points to the success the company has had in attracting top quality engineers to work on the island and to the skills and loyalty of the local workforce. The island plant's success was achieved through delivering on time and manufacturing quality, he said.

The British Hovercraft Corporation, part of Westland, is another example of a combination of shipbuilding, aircraft and engineering ingenuity. The complex on the site of the old Samuel White seaplane plant at East Cowes has, in the recent Westland reshuffle, become more autonomous, even pulling back from Yeovil to the island its own sales and marketing function.

It now employs 1,500, compared with 2,300 at its peak. The greater part of the workforce is employed in the production side of the structures division. They build parts for aircraft sold around the world, and for the company's own hovercraft. BHC is responsible for continuing the development of hovercraft design in an attempt to produce more economical craft for both civilian and military use.

They have also cured the noise problem of the early gas turbine-powered models with the introduction of the diesel-powered AP-188. These are now operating on the local ferry service from Southsea to Ryde, from Malmo to Copenhagen and in Canada. The original gas-turbine version has been developed to give increased payload or extended range and the company claims to have held onto world leadership in the field of hovercraft.

Not least, the AP-188 has also proved itself in a new role as an icebreaker on the St Lawrence Seaway; the wave pattern it sets up is the cause, but the hovercraft can do it at 17 knots, far faster than a conventional icebreaker.

Over the river, at West Cowes, and equally adamant that they are not conventional, is Fairey Marine, a company with a proud history, but also its fair share of upheaval. It is now established on a single site that brings together the skills of building workboats, patrol boats, military landing craft and the best in lifeboats. As part of the Marinteknik Group, having been sold by the Pearson group, it joins a Hong Kong-based group with yards also in Sweden and Singapore. It has also specialised to fast hull construction, particularly catamarans.

Fairey continues to supply the Ministry of Defence with patrol and training boats and is geared to meet all their production specifications. A combination of financial restrictions on defence spending and the company's unhappy experience of progress payments has meant a determined push into exports and licensing to the point where 85 per cent of this year's £12.5m turnover will be accounted for by exports.

Further east, at Bembridge and Sandown, the island's remarkable tradition for innovation in aircraft design and production is continued by Pilatus Britten Norman and Neble's ARV. Britten Norman sprang from a crop-spraying company whose owners also had the expertise to spot the need for an easily maintained 10-seater which they called the Islander.

They also produced the Trislander three-engined light transport craft but hit financial problems first of their own and again when their new parent, Fairey, went into receivership in 1977. But the company bounced back under the ownership of the Pilatus company, a Swiss manufacturer of aircraft which is part of the Oerlikon Buhrle group.

More recently, the company under a reciprocal trade agreement has seen its basic aircraft built in Romania then brought back to Bembridge to be finished. The Belgian production plant, however, became a victim of a world turndown in light aircraft sales. The mood at Bembridge now is buoyant as the company has developed the only light aircraft in the world which can carry a new defence early warning system developed by Thorn-EMI and a battlefield surveillance version, both of which come under the Defender banner.

PBN believes it has a significant world lead in both options and a price advantage in being able to provide an airborne early warning system at a cost of perhaps one-tenth of the more conventional systems available. So there are great hopes that a combination of a revival of the light aircraft market and success in the military market will see a boost to production at Bembridge.

Just two miles away a success story of a different kind comes from ARV, which produces the Super 2 light aircraft trainer. These side-by-side two-seaters have a tiny 75 bhp engine, the lightest of controls, and can be packed, when necessary, on to a trailer. Built by a company headed by Richard Neble, perhaps better known for breaking the world land speed record, they are the only planes of their kind in production and, having filled the order book for this year, the company is confident of selling two a week with their £28,000 price tag next year.

They too would like to stay on their present site, but need not only more production space but production capital and so are also considering the splitting of the production from the design and development — a major loss to the island if it were to occur, especially as they have been able to capitalise on the pool of skills developed on the island.

Also involved in aircraft, and an example of the way in which the island can spawn its own spin-off industries, is Pascall Electronic Systems of Ryde.

Formed in 1981 by two engineers from Plessey, Martin Bright and David Longford, they make highly sophisticated electronics for use in defence aviation and, through linking up with a sales and marketing organisation at Sunbury, have developed into a 45-employee company on the island.

A combination of the island's attractions to engineers and the availability of good quality local staff has meant smooth growth and the company is anxious not only to expand but to be the lead company on any technology park which is developed.

But all is not airborne warfare. There is a wide variety of industry, often with small companies providing the goods needed to service a small but diverse community.

Strong to the innovation field is the software house System 2000. From small premises in Newport they have developed a method of putting onto computer the medical notes of children being treated at Great Ormond Street Hospital and then, having treated that almost as a word processor, turning it into a research computer to pick up relevant facts in epidemiological studies.

They are now developing a similar package for general practitioners and they know that they already have a horde of major competitors breathing down their necks but are confident that they too, in their own way, will fly.

Agriculture

Emphasis on better marketing

Freshwater Bay and Tennyson Down, typical of the chalk terrain which dominates farming country in this area

WHILE NEARLY every farmer has a tale of gloom and doom to tell when he is out shooting or watching national hunt racing the agricultural community of the Isle of Wight has a more than usually justifiable reason for feeling rather apprehensive about what the future holds for them.

The two staple types of farming has traditionally been milk and cereals, with the important addition of a glasshouse horticultural sector which takes advantage of the mild climate and the improved sunlight intensity enjoyed by the island.

Given that dairy farmers are subject to quotas and there are milk and butter mountains, that the world has an overcapacity of cereal production, and that the glasshouse industry is only just recovering after being decimated 10 years ago by soaring costs of oil-fired heating it is easy to see the reason for the apprehension.

Although many would argue with the method by which it is reached, only a small proportion of the land is classified as Ministry Grade II with most of the land given Ministry Grade III. The soil, however, is often very productive with everything from stiff clay to chalk down and green sand represented, though there is none of the silt formation found in the eastern counties of England.

Before milk quotas ever came in generally, there had already been a steady reduction in the number of dairy farms. This was because, 15 years ago, the island boasted the highest concentration of Channel Island producers anywhere in the UK. They had their own system of quotas even then and many of the smaller units gave up the struggle with unviable production levels. In the 20 years from the late Fifties to the late Seventies the number of dairy producers halved and the amount of milk produced increased.

There are now about 140 milk producers, compared with 500 in the early Fifties, and the switch from Channel Island cattle to the ubiquitous Friesian has also seen herd sizes increase to compensate for a rainfall level which is a bit on the low side for ideal milk production.

Having enjoyed a bumper harvest in 1984 cereal farmers saw yields fall in last year's poorer summer but even though they have again had a difficult summer, they have not been hit as badly as some of the mainland farms this year and the harvest is expected to be reasonably good.

The main preoccupation, however, is exactly that of the mainland in that the search is on for alternative crops. Many have already adopted a pragmatic attitude and reduced their cereal acreage but argue that there is a level below which they throw the whole balance of the farm into jeopardy. This is because of the heavy investment already made in cereal growing and handling equipment.

Manpower has also been reduced drastically — to the point where serious difficulties arise if the smooth running of the farm, and particularly the harvest, is disrupted by the weather. That's when the contractors are called in and they have been busy on the island.

So one of the main areas, not counting the yellow marauder, rape seed, for developing new crops is vegetables. Despite some resistance from local retailers who want to buy centrally a uniform line of prepacked vegetables, the local farmers are continuing to pressure them into selling local produce. Because of its climate, the island can produce good early carrots and potatoes to take advantage of the premium prices which these commodities can command. And it is looking at more crops like sweetcorn and broccoli.

And the island has, at New Church in the Arreton Valley, which is the heart of the island's horticultural industry, the only major commercial garlic farm in the UK. Its owner, Colin Boswell, also brings to the major super-markets of Britain's high streets sweetcorn and carrots and is always in the race to supply the earliest of early potatoes, thus challenging the old dominance of the Isle of Thanet in Kent, Pembroke in West Wales, and Cornwall. Plus, of course, the Channel Isles.

For the most part, the island's structure plan is most concerned with the subject of planning permission when considering the future of agriculture but it recognises that 80 per cent of the island is used for agriculture and forestry and that the Arreton Valley is important while the National Farmers' Union is both concerned with the way in which government policy is formed and with helping its members locally to overcome problems and succeed.

The island is still a net exporter of cereals and dairy products and it is in the management of these and the implementation of a crop substitution programme that it has been most concerned. Top of the list is to try to persuade the farmers to work together, particularly on the marketing side.

There is still some resistance both to co-operatives and the basic concept that a farmer is anything other than a producer. Given that the contribution demanded by the Government for many years was that farmers produce as much as possible and leave the marketing to others, the change to producing less and being responsible for your own marketing was obviously going to sit uneasily with some.

Now there is an NFU-initiated grain co-operative which has a terminal up the Medina from Cowes which has meant that whereas previously prices were discounted to take account of Solent transport costs, price levels have been lifted because of direct bulk export of quality-controlled grain.

"We need to work on achieving the right mix of marketing and production skills," says Mr Neville Errington, secretary of the NFU in Newport. "Farmers are still looking ahead optimistically, they are making investments, sometimes large ones in irrigation and grain handling, and family sized farms are still selling reasonably quickly and reasonably well. And if you want proof that the potential is there, a big Kent concern, J. J. Barker, has just come in and bought 800 acres for vegetable growing. They are very marketing oriented, so there must be opportunities."

Brighter marina for Cowes

One of the best known names in the sailing world is about to disappear into history. The Groves and Gutteridge Marina in Cowes, home for the annual Cowes Week and regular Admiral's Cup races, will take on the name of the Ancasta Group, which has just paid £1m for the assets, backed by £750,000 from the Lazard Leisure Fund. With the new name will come an upmarket image, more in keeping with the boats that berth there, according to Crispin Lowe, chairman of Ancasta, seen above. A phased redevelopment will aim at improving facilities for yachts and sailors. The extra business is expected to help boost the seven-year-old company's turnover to £10m this year, compared with about £6.5m in 1985.

DAVID LAWSON

UK COMPANY NEWS

Strikes put Euroferries into the red

STRIKE ACTION at Portsmouth and a 10-week stoppage on the Felixstowe routes during the spring, left the European Ferries Group £4m in the red at the pre-tax level for the first six months of 1986.

In the corresponding period of 1985, the group saw its profits fall from £11.7m to £5.6m.

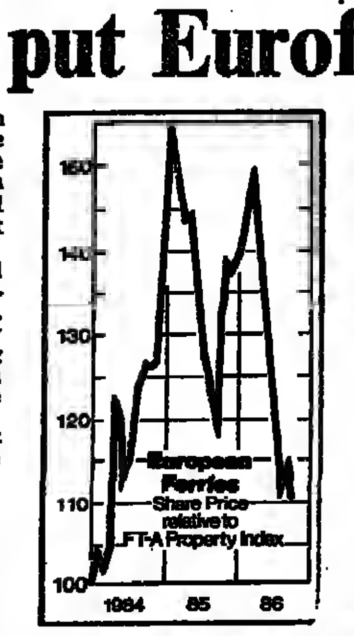
The directors said yesterday that the results for the opening six months would have been significantly better for the actions taken.

They estimated that without the strikes the results of the shipping division (losses here rose from £0.1m to £8.5m) would have been some £7m better.

The second half of each year, which includes the peak tourist traffic season, traditionally governs overall profitability for the year and currently, carryings were comfortably ahead of 1985.

Group turnover for the first six months declined from £190.8m to £149.1m, and at the operating level there was a loss of £1.6m, compared with previous profits of £4.6m.

Pre-tax figures were struck after adding in a £1.8m (£1m) share of associetes' profits and taking account of an exceptional provision of £4.2m, being holding costs written off in Houston, amounting to £3.5m, and redundancy costs in the shipping division totalling £0.7m.



The loss attributable to shareholders worked through at £2.6m (surplus £4.4m). This included a tax credit of £2.1m (nil), minority debits of £0.7m (£0.2m) and an extraordinary debit last time of £1m.

Loss per 25p share amounted to 3p (earnings 1.7p). The interim dividend remains unchanged at 1.1p net.

A divisional breakdown of group turnover and figures prior to exceptional item shows: shipping £112.5m (£118.7m) and loss £8.5m (loss £0.1m); harbour operations £24.7m (£22.4m) and profit £4.9m (£4.5m); overseas property—US £1.1m (£30.7m) and profit £1.1m (£2.7m)—Spain £9.4m (£7.2m) and profit £0.5m (loss £0.3m), and other activities profit £0.6m (profit £0.4m). Head office interest accounted for £0.9m (£2.4m).

The group's harbours performed well despite downward pressure on rates.

The construction of the Trinity container terminal at Felixstowe was completed in July and has started to attract new business.

The directors said that while additional costs will be incurred in the second half as the new terminal becomes fully operational, it was expected to make a contribution to profits next year.

In the US the results of the group's Denver and Atlanta property activities were in line with budget, after writing back a provision of £2.6m made against sales proceeds in earlier years and now released following the securing of certain planning permissions in respect of the land to which those sales related.

The directors pointed out that there had been no improvement in the Houston property market in the four months since the 1985 results were published, and it was, therefore, considered prudent to write off the holdings costs as an exceptional item.

In Spain the group's operations at La Manga Club continued to improve. The investment in Stockley resulted in an increased contribution from UK property.

Mr Geoffrey Parker replaced Mr Kenneth Siddle as executive chairman of the European Ferries Group in July. Mr Siddle has now decided to resign from the group as has Mr John Parsons. Mr Parsons' responsibilities as deputy managing director of Townsend Thoresen's Dover operations will be assumed by Mr David Donbue, currently in charge of the Portsmouth operations.

In June it was announced that a 20.8 per cent stake held in the European Ferries Group by Peninsular & Oriental Steam Navigation was being referred to the Monopolies and Mergers Commission.

The Office of Fair Trading advised by Mr Paul Channon, Trade and Industry Secretary, that the share stake "constituted or might constitute" material influence by P & O over European Ferries. This raised issues of competition in the market for ferry services, the DTI said.

If the Commission found that the share stake was against the public interest, P & O could be obliged to sell the holding, bought for £36m in December.

See Lex

Vickers expands medical activities

By Charles Batchelor

Vickers, the engineering and Rolls-Royce Motors group, is paying $57m (£38.5m) for the hospital products businesses of Healthdyne of the US in a major expansion of its small medical and scientific equipment division.

Healthdyne Hospital Products' main subsidiary, Air-Shields, made a pre-tax profit of $7m on turnover of $51.1m in 1985. Air-Shields is based in Hatboro, Pennsylvania.

Vickers accompanied the announcement of its proposed US acquisition with its own figures for the first half of 1986 showing an increase in pre-tax profit from £18.7m to £21.2m on sales which increased from £292.6m to £308m.

The Healthdyne purchase represents Vickers' largest since it began expanding its six core business by acquisition a year ago. Before that the company went through three years of retrenchment and disposals.

Vickers plans to use the Air Shields' sales force to introduce its own medical products, including transportation monitoring systems and syringe pumps, into the US market. The US operation would be known as Air-Shields Vickers.

The activities of the two companies fit well geographically with Air-Shields having large market shares in France, Germany and Japan as well as the US.

Vickers will raise an initial $51m of the purchase price by making a vendor placing of 8.76m shares with the balance of $6m payable in April 1989.

Lazard Brothers will place the new shares at 395p each in a move which would increase Vickers issued share capital by 9.4 per cent. Vickers' shares fell 7p yesterday to 421p.

Vickers said its 1986 pre-tax profits should show a reasonable improvement over last year. The progress reported at the annual meeting in all divisions had been maintained with the exception of continuing difficulties in the marine engineering division.

Negotiations for the purchase of the Royal Ordnance tank factory in Leeds announced in July, were proceeding satisfactorily.

Burmah Oil earnings fall after high tax charge

Burmah Oil yesterday gave the City a small jolt by announcing a drop in after-tax profits for the first half of 1986 from £22m to £20.7m, pushing the shares down 15p to 381p.

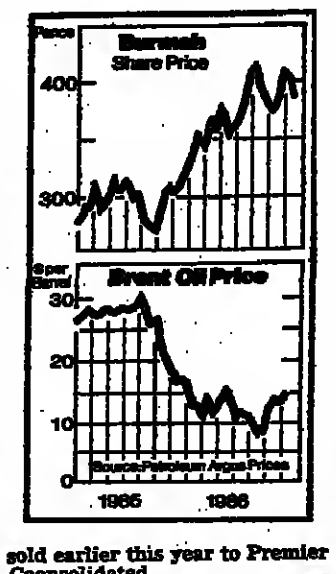
Profits before tax of £37.6m were £2.6m higher than in the first half of last year, and were as expected. However analysts were surprised at the sharp rise in the tax charge to 45 per cent, due to a larger proportion of profits being made overseas.

Burmah also announced yesterday the sale for £14.2m of the remaining parts of Quinton Hazell, the automotive group, to Echlin, a US manufacturer of car parts. The sale, which completes the £50m disposal of the group is a part of a sweeping reorganisation of the company.

Since the beginning of 1986, Burmah has sold off a number of peripheral companies, has pulled out of oil exploration and production; sold its Bahamas Terminal companies; raised £96m through a rights issue; and has spent £40m on a number of small speciality chemical companies.

The interim results mark the successful transformation of Burmah into a compact group, and show that its three core divisions are doing well, the company said yesterday.

Operating profit of continued operations was up 14 per cent to £46.1m, despite a negative currency effect of £2m, while profits after a much reduced interest charge were up by 32 per cent to £37.9m. However profits from discontinued businesses fell by £6.6m into a loss of £0.3m, reflecting the collapse in oil prices on Burmah's oil production interests, which it sold earlier this year to Premier Consolidated.



The effect of withdrawing from oil exploration and production was also recorded in an extraordinary charge of £16.5m. The bulk of this reflected a write off of advance corporation tax which would have been offset against oil profits, and to staff redundancies.

The company said that prospects for the rest of the year were good, although competition had increased in all its markets.

Operating profits from the largest division, "Castrol" lubricants and fuels, were up from £30.3m to £36m, with the major areas of advance in the US, Brazil, Canada, France and Japan.

Profits from specialty chemicals rose by 13 per cent to £4.4m, but the shipping division produced lower profits of £5.7m (£6.4m).

The interim dividend is held at 4.5p.

● comment

At the pre-tax level everything in Burmah Oil's interim statement came up to expectations. But the story did not have a happy ending. The tax bill on continuing businesses rose by 55 per cent to £15.5m, while the dividend was not increased. Result: the share price dropped 11p to 385p. The company was clearly not to blame for any overheated dividend predictions; it has always regarded the interim as merely payment on account, and leaves any increase for the final. But Burmah gave no warnings that its tax losses in Germany and the US had simultaneously run out. It now seems that Burmah will be paying tax bills of over 40 per cent for the foreseeable future. There is also an ACT problem in the UK, as the sale of Burmah's North Sea interest has taken away the corporation tax against which dividends can be sheltered. This has resulted in an extraordinary write off of £11.2m in respect of past ACT, and a provision of £2.5m for the current year. But at least the high tax bill overseas is a reflection of Burmah's success in generating profits, which its North Sea operations showed little sign of doing. On forecasts of unchanged full year net profits of £51m the shares are on a multiple of about 12 which leaves little room for outperformance.

Hogg Robinson agrees sale of Janson Green

Shareholders in Hogg Robinson, the insurance broking group, are expected to hear next month the results of protracted talks over the company's sale of its interest in Janson Green, one of th emost prominent underwriting agencies at Lloyd's of London.

Mr Albert Wheway, Hogg Robinson's chairman, told its annual general meeting yesterday that egreement on the sale had been reached subject to approval by shareholders and the committee of Lloyd's.

Hogg Robinson now holds 20 per cent of the voting shares and 100 per cent of the non-voting shares in Janson Green. Like other Lloyd'e brokers, it must divest itself of its interest in underwriting agencies by next July, in eccordance with the 1982 Lloyd's Act.

Janson Green's present management is to buy the agency, on terms giving Hogg Robinson a share of underwriting commissions for 1984 to 1988. A circular setting out the terms will probably be sent to Hogg Robinson shareholders around the beginning of next month, with an extraordinary general meeting likely to be in November.

Laing boosted by housebuilding

BY ALICE RAWSTHORN

THE Laing construction group yesterday announced e 7 per cent increase in pre-tax profits to £12m for the first half of 1986. The growth was fuelled by progress in its housebuilding division.

In the six months Laing's turnover fell slightly to £368m (£375m) chiefly due to the trend towards construction contract management for which the group is paid a fee.

The trading surplus rose to £10.4m (£8.7m). Housing accounted for some 75 per cent of this surplus compared to 50 per cent in the same period last year.

Earnings per share increased to 14.2p (12.2p) and the directors propose to pay e dividend of 2.5p (2p) for both classes of ordinary shares. Laing's share price fell by 8p to 420p yesterday.

In the first half of the year Laing completed the sale of 1,000 houses and plans to complete on 2,500 by the year end, compared to just over 2,000 last year. The group also proposes to increase its investment in sheltered housing.

"The impetus that was given to the housing ectivity some years ago continues to produce good results," said Mr Martin Laing, the chairman.

"The majority of Laing Homes' developments are in the south east where demand remains strong. We anticipate that this demand will continue for et least the next 12 months," he added.

In the construction division conditions were more difficult. Laing has experienced some recovery in demand within building, almost solely from the private sector, but civil engineering is still intensely competitive both in the UK and overseas.

"The construction order book for building and civil engineering remains at e satisfactory level. We continue to be highly selective overseas," said Mr Laing.

"Overall, we anticipate that pre-tax profits for 1986 will be somewhat better than 1985 with housing activity again expected to be the main contributor."

● comment

Had it not been for a timely diversification into house building five years ago Laing would now be bearing the full brunt of the construction industry'e troubles. As it is housebuilding is booming and Laing, with its base in the South East and Scotland, is perfectly placed to benefit. Margins may be rather tighter in the sheltered housing sector and Laing may not be the only company to have identified it as e growth market. But house building should show profits growth of 25 per cent this year. The outlook for construction is rather bleaker. Laing talks enthusiastically ebout expansion within energy and environmental services but the real scope for growth lies in a renaissance of civil engineering. Along with the rest of the industry, Laing will have to wait for the return of the bumper projects — the Channel Tunnel, Stanstead Airport, or Canary Wharf in which it holds a stake — or of e Labour Government before that happens. In the meantime the City expects profits of £38m for the full year putting the shares on a prospective p/e of 9.5.

HOME GROUP, the US insurance company, is being introduced to the unlisted securities market by Kleinwort Benson. The group had net income of $116,000 in the six months to June 30, 1986 following a loss of $197,000 in the full year 1985. Its main business it property and casualty insurance.

AE withdrawals

AE said it had received forms of withdrawal representing almost one-third of the latest figures for acceptances reported by Turner and Newall. This represented more than 3.4m shares.

Tilbury expands in Scotland

Tilbury, the construction group, unveiled yesterday e 50 per cent profits rise in the six months to June 30 from £1.04m to £1.57m. It also announced e one-for-thre rights issue to raise £6.5m towards expanding its Scottish housebuilding interests.

Tilbury plans to put the proceeds towards the cost of acquiring Salvesen Homes Scotland, part of Christian Salvesen, and a freehold property in Glasgow for a total of £6.91m cash. Salvesen has so far sold two of its five regional housebuilding businesses—to C. H. Beazer and Westbury.

The profits rise in the latest period was on turnover up 32 per cent from £31.81m to £42.13m. After tax of £599,000 (£482,000), earnings per share were 6.58p (3.79p).

The result is without any benefit from Tilbury Roadstone which was sold on January 6, however, it did contribute to an extraordinary credit of £7.71m (£3,000). This consisted of £7.6m surplus on the disposal of Tilbury Roadstone and a £365,999 surplus on the disposal of freebold properties, which, after an extraordinary charge of £260,000 for closure costs, leaves £7.71m.

Mr Patrick Edge-Partington, the chairman, said all contracting activities had made good progress in the first half. Turnover had risen some 11 per cent in the construction division and the improvement in plant hire had been maintained. Housebuilding had been expanded substantially.

The board is confident of prospects for the second half and says the purchase of Salvesen Homes Scotland will further its policy of disposing of aggregates activity in favour of construction and housebuilding. The combined Scottish house build should reach 440 units next year while, with some supplementary purchases, the ecquired land bank should last three years.

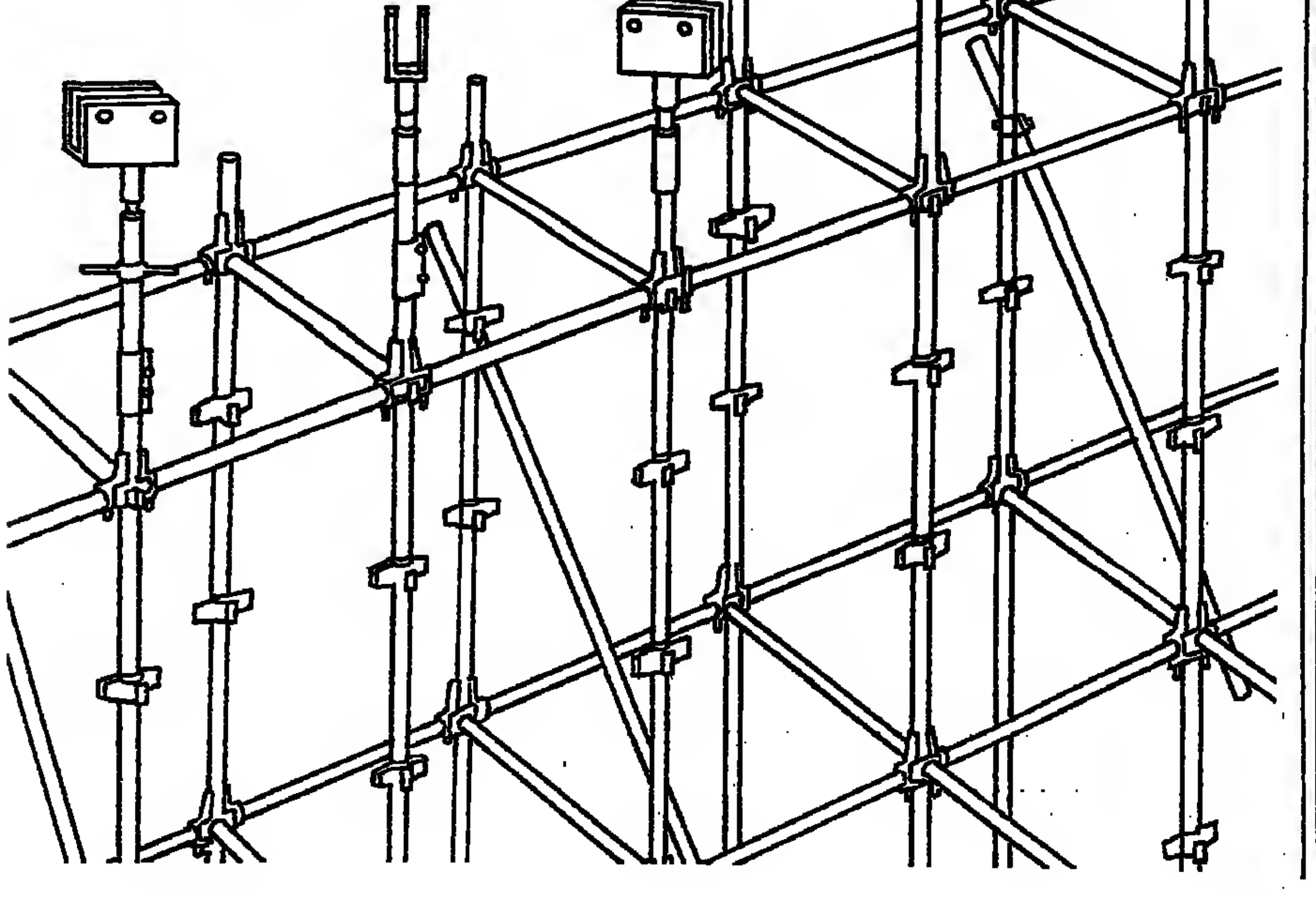
● comment

Tilbury's Scottish purchase looks like the best buy so far from out of the Salvesen housebuilding stable. The burning of the midnight oil will prove worthwhile if as is expected the new unit can earn £1m before tax in 1987 so potting the purchase on an exit multiple of under 11. With overheads to be cutback and the best part of e three year land bank in the bag, this should give Tilbury e good shove towards its target of £6m pre-tax in three years. The West ecquisition, in for a quarter for maybe £150,000, shows just how determined group management is to get to grips with cost cutting and problem areas. So much so that some prosaic manufacturing bits and pieces may soon follow Roadstone out the door with the cash to be applied to reducing gearing from the 38 per cent level. The interim results reflect £10m of almost profitless turnover added on from West, and £500,000 of good organic growth. For the year £4.1m is likely which puts the shares down 10p at 162p on a prospective multiple of 10; the £5.5m forecast for next year sees the ratio slip to 9. The market may want to see more proof of earnings capacity (or John Govett's intentions) before it will put Tilbury on other than e strong hold.

DIVIDENDS ANNOUNCED

Benlex Hldgs. ......int.	0.55	Oct. 17	0.5	—	1.1
Boase Massimi ......int.	1.75†	—	1.5	—	4.5
Bowater ....int.	4†	Nov. 3	3.15	—	9.25
British Mohair ......int.	1.25	Oct. 31	1.25	—	6
Burmah Oil ....int.	4.5†	Jan. 5	4.5	—	12.75
Caparo Inds. ....int.	0.75	Nov. 7	0.75	—	1.65
Clyt & Commercial int.	2.45	Sept. 30	2.22	—	4.5
Rbt. M. Douglas	1.5	Oct. 10	1.75	2.25	1.75
Edinburgh F. Tst. int.	0.5	—	0.3	—	1
Estates Property	5.5	Oct. 31	5.5	8.5	8.25
European Ferries int.	1.1	Jan. 2	1.1	—	4.75
Haynes Publishing	9	—	9	14	13
Hepworth Ceramic int.	3.1	Nov. 10	2.9	—	7.2
Laidlaw Group ......int.	1.2‡	—	1.1	—	2.8
John Laing ....int.	2.5	Oct. 31	2	—	7
London Shop	4.05	Oct. 23	3.6	5.5	4.95
Media Tech.	1.8‡	—	1.6	2.8	1.6
Rowntree Mack. ...int.	4.4‡	Jan. 5	4	—	12.2
Royal Dutch Petr. int.	4.50‖	—	4.50	—	12.8
Schroders ....int.	3	Oct. 30	3*	—	10.75*
Shell Transport ...int.	13.5	Nov. 6	12.5	—	35
Star Computer	1	—	nil	1	nil
Stewart & Wight	27.5	—	15	27.5	15
Tilbury Group ......int.	1.8	—	1.5	—	5.3
Tyne Tees TV ......int.	3.75‡	—	3	—	13.13¶
Vickers ....int.	6	Nov. 5	5	—	13
Thomas Walker	0.78	—	0.73	0.95	0.9
Ward White ....int.	2.25†	Dec. 13	1.95	—	6.5

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months. ‖ Dutch florins throughout.



UK COMPANY NEWS

Bowater makes further progress and hits £19m

Bowater Industries yesterday reported interim figures much in line with City expectations and at the same time said it had disposed of its entire UK paper manufacturing and merchanting activities for £68m.

The six months to June 30 saw group sales advance from £619m to £671m and profits at the pre-tax level increase to £18.9m, an improvement of 43 per cent over last time's £13.2m.

The directors said that the further progress made during 1986 warranted an increase in the rate of interim dividend from 3.75p to 4p net per £1 share.

Trading profits pushed ahead from £20.1m to £28m, having benefited to the tune of £4.5m following the suspension of contributions to the UK pension plan. Of this sum, £2.6m related to Bowater-Scott Corporation and to the UK paper group, both of which were sold subsequent to end-June 1986.

The directors said that these and other recent disposals were in accord with their stated policy of reducing exposure to capital intensive and cyclical activities, especially those heavily dependent upon imported raw materials which were subject to significant fluctuations in both price and exchange rates.

At the same time they have continued to expand the packaging and associated products activities and the builders merchants coverage.

In January the group acquired Minnesota-based StarTex, engaged in the production of speciality plastic film products for industrial packaging. The purchase also represented a useful step forward in implementing Bowater's plans for expansion in the US market.

The builders merchants area the group made its first move into the south of England via the acquisition of Roberts Adlard and strengthened its position in the north-east with the purchase of the merchanting activities of Ferguson Building Supplies.

The group has also made some smaller acquisitions in the Freight Services Group and purchased Clae, a major distributor of Detroit diesel engines in Australia.

Including the price paid for the outstanding 50 per cent of Bowater-Scott Australia, the total cost of group acquisitions in 1986 to date is in excess of £68m.

Group interest charges for the opening six months rose from £8.9m to £9.1m. Tax accounted for £6.2m (£4.5m) and minorities for £4.2m (£2.8m).

Attributable profits emerged at £8.5m, compared with a previous £5.9m. Earnings improved from 6.4p to 8.9p.

A breakdown of sales and trading profits by area shows: UK £390m (£365m) and £18.9m (£12.9m), ... Europe £148m (£139m) and £3.6m (£3.2m), Australia and the Far East £109m (£110) and £6.6m (£5.8m) and North America £24m (£16m) and £1m loss (£1.8m loss).

The directors said the main areas of difficulty in 1985, namely Camvac International in the US and Zenith PVC Windows in the UK, made some recovery and were expected to show further improvements in the second six months.

There was a neutral effect on trading profits from the different exchange rates at June 30 1985 and 1986 although there was a small adverse impact on pre-tax profits.

See Lex

Air Call goes private again

By Alice Rawsthorn

Air Call, the USM quoted radio communications group, has become a private company again. At an extraordinary general meeting yesterday Air Call secured the consent of a majority of shareholders to buy back its shares in public issue, thereby buying itself off the USM.

In late August the Air Call board announced proposals for a restructuring in which its parent company, the privately owned Air Call Holdings, would buy back the publicly owned shares for 225p in cash or in a one-for-one share swap. Air Call Holdings then proposed to sell a 46 per cent stake in Air Call's troubled communications interests to the Bell South US telephone group.

The Air Call board said that as the company expected to operate at a loss until the late 1980s, it could promise its shareholders neither the profits nor the dividends they would expect from a publicly quoted company.

When the proposals were announced they were greeted with outrage from some of Air Call shareholders. Some talked of organised rebellion, others of forming a shareholders' action group. One New Jersey investor physically threatened the chairman, Mr Warren Taylor, in a transatlantic telephone call.

Yet the proposals were accepted yesterday without a hint of protest. The Air Call board need to secure the consent of 75 per cent of shareholders in order to implement the restructuring. It succeeded in winning the support of 98.3 per cent of shareholders, representing 99 per cent of the shares in public issue.

Air Call will now become a subsidiary of Air Call Holdings and the communications interests will then become part of a joint venture with Bell South. Air Call Holdings is now considering ways of improving the marketability of its shares which could, in the longer term, lead to a flotation.

COMPANY NEWS IN BRIEF

STAR COMPUTER Group turnover totalled £8.63m and operating profits £620,000 in the 12 months ended June 30 1986. For the previous 14 months turnover amounted to £9.11m and there was an operating loss of £237,000. Dividend 1p (nil) net per 10p share. Directors considering moves to new areas, not solely constrained to computer related markets. At year-end company had net cash surplus of £850,000.

BRITISH MOHAIR Spinners yarn manufacturer, made pre-tax profits of £1.78m (£1.67m) in the first half of 1986, on turnover of £21.1m (£19.98m). The interim dividend is unchanged at 1.25p. Earnings per 25p share were 8.14p (7.49p).

THOMAS WALKER, maker of metal smallwares for the clothing industry, made pre-tax profits of £273,000 (£250,000) for the year to June 30, 1986, on turnover of £2.68m (£2.41m). After tax of £121,000 (£135,000) earnings per 5p share were 2.53p (1.93p). The dividend is up to 0.9625p (0.9p) net with a final of 0.7825p.

MID-SUSSEX Water Company has placed £3m of 11 per cent redeemable stock 2012/16 at £100 per cent, payable as to £10 per cent on September 16, £40 per cent by December 5 and the rest by April 10, 1987. The stock is redeemable at par on any date between June 30, 2012 and June 30, 2016 at the company's option.

CITY & COMMERCIAL Investment Trust raised earnings per 25p income share from 2.223p to 2.446p in the six months to July 31, 1986. Net assets per £1 capital share were £10.54 (£9.25 at January 31, 1986). Pre-tax revenue was £827,200 (£759,500). The interim dividend is 2.446p (2.223p) net.

COLOROLL, the acquisitive home furnishings group which last July won control of Staffordshire Potteries for £14m, has started restructuring the Staffordshire board. Three executive directors—Mr E. C. Bowers, Mr D. S. Carryer and Mr A. P. Winspear—have resigned as has the one non-executive director Mr J. Wolstenholme. Mr Bill Bowers, the former Staffordshire chairman, remains on the board and he is joined by Mr John Ashcroft, the Coloroll chairman.

LAIDLAW GROUP, Scottish based Ford main dealer, reported a 4.6 per cent increase in pre-tax profit to £412,000 for the first half of 1986 on turnover up 13.3 per cent at £44.76m. The USM group is paying an interim dividend of 1.2p (1.1p) and expects to recommend a final at least as high as the 1.7p of last year. Earnings per 10p ordinary share amounted to 3.4p (3.7p).

STEWART & WIGHT, retail baker and property investor, increased its pre-tax profits from £73,000 to £105,000 in the year to March 29 1986, and is increasing its dividend from 15p to 27.5p. Stated earnings per £1 share of this "close" company improved from 76.3p to 77.94p.

UK COMPANY NEWS

Rowntree shares tumble after static first half

IN LINE with its predictions last month, Rowntree Mackintosh, the confectionery, snack foods and grocery products group, yesterday turned in static profits for the first half of 1986.

Pre-tax figures edged ahead from £20.5m to £20.8m, which failed to impress the stock market and the shares were marked down 33p to 382p. Last month, Rowntree announced a £144m rights issue to fund the purchase of Sunmark, a US maker and distributor of branded sugar confectionery and snack foods.

Group turnover for the period fell from £519.4m to £500.2m. While trading profits rose 3 per cent to £29.9m (£29.1m), higher interest of £9.1m (£8.6m) and tax of £4.8m (same) left stated earnings per 50p share static at 9.4p.

The relative strength of sterling adversely affected the translation of overseas profits. Rowntree said that using constant exchange rates, its 1986 interim sales and trading profits would show increases of 3 per cent and 11 per cent respectively. The company warned that this situation was continuing into the second half.

Looking further ahead, Rowntree said its underlying trading strength, productivity benefits and the additional contribution from recent acquisitions, led it to view the future with much confidence.

The interim dividend is to be stepped up from 4p to 4.4p net on capital increased by the rights—last year's total was 12.3p on £79.3m pre-tax profits.

UK profits rose by £2.5m to £18.5m on turnover of £213.3m (£206.2m). The confectionery business increased both sales and profits, indicating a strong market performance and continuing improvements in productivity. Sun-Pat also had a good first half, but Sooner Foods suffered from intense competition in the crisps market.

In Europe, a recovery in sales, particularly in France, is returning the region to a path of gradual profit improvement. Overall sales rose to £107.8m (£97.4m) and losses fell from £2.8m to £0.6m.

Profits from North America showed a reduction from £10.5m to £8.1m, on lower sales of £125.8m (£158.3m). In dollar terms, profits of the group's US companies continued to grow. Rowntree said the recent acquisition of Sunmark, indicated its confidence in the US as a strong consumer market which would provide increasing profits and enhanced shareholder value.

In Canada, the imposition last year of increased sales tax depressed the whole market. Sales and profits were lower in the period, but the start of the second half has been encouraging.

The Australian business continued to make good progress, although Australasian profits overall slipped to £0.5m (£0.6m).

For the Rest of the World, profits fell by £1.4m to £3.4m.

● comment

Flattish is Rowntree's own word for the current year and there is no reason to hope that it is being pessimistic. Even allowing for the rising pound's effect on overseas earnings some of its businesses are having a pedestrian year. UK confectionery may for once have done the trick of raising market share and margins, each by nearly a percentage point, but the others will not allow Rowntree to do that for long. Meanwhile Europe is as ever slow to come right, Canada is not recovering from the sales tax increase, and more exotic markets have their problems. The Sunmark deal came too late for the Hallowe'en trade, though it should chip in £2½m at the trading level. So profits may only just top £80m (£79.3m) and with earnings diluted by the rights, the prospective p/e is an uninspiring 13.7. Next year is now the target for the great leap forward to profits well above £100m as the cost savings and Sunmark profits come through. Further out the retail activities—with 730 shops around the world by the end of 1986—are seen as expanding from the current 5 per cent or so to a much more significant proportion of the whole.

Oil price decline hits Triton Europe

THE DECLINE in oil prices hit second-half profits of Triton Europe, oil and gas exploration group. Pre-tax figures for the period declined from £6.77m to £1.96m, but reflecting the good first half, the full year result was ahead £4.65m at £13.54m.

After increased tax of £7.99m (£2.94m) net profits for the year fell from £6.05m to £5.55m, giving earnings per 5p share lower at 6.72p, against 7.33p.

Mr T. A. Goff, the chairman, said he regarded the result as satisfactory, given the dramatic decline in oil prices during the period when Triton's investments in developing oil reserves in France were reaching a peak.

The oil price decline had obliged the company to curtail capital expenditure, but high priority would continue to be accorded to the development of producing fields.

Appleyard's £3m rights issue for expansion

Appleyard, the Leeds-based motor dealer, is proposing a one-for-three rights issue which will raise about £3.2m net to help finance its capital spending plans.

Nearly 2.7m shares will be offered at 125p a share. The issue will be underwritten by Hill Samuel, the merchant bank, with Alexanders Laing & Cruickshank as brokers.

Appleyard's existing shares closed 7p down at 148p yesterday.

Last month, Appleyard announced pre-tax profits of £1.15m for the half-year to June, compared with £858,000 in the comparable period.

Yesterday it said that with many industry forecasters predicting a record year for new car registrations in 1986 and the group's car deliveries in August having been at a very high level, it looked forward to a "most encouraging" full-year results.

A final dividend of at least 4.25p was forecast, payable on the enlarged equity. This would make a total of 6p for full year against 5p the year before.

Appleyard said it was engaged on a controlled expansion of its motor-related activities and the rights issue would help finance spending on new outlets and on acquisitions. For example, it wants to add at least one Vauxhall-Opel main dealership to its existing outlets for Ford and Austin Rover, and it is investigating a number of opportunities in this field.

More than £1.5m is likely to be spent on splitting its Ford dealership in Brighton, at present sited in an expensive short leasehold propery, into two smaller and more efficient units.

In Edinburgh, Appleyard wants to spend £350,000 on building a Jaguar depot on a prime site on the main road from the city centre to the airport. By separating this specialist franchise from its existing overcrowded Edinburgh depot, Appleyard expects to improve the profits from both operations, especially following the imminent launch of the Jaguar XJ 40.

Mercantile Credit, which holds 24.9 per cent of Appleyard's shares and another 50 per cent of the joint venture company,

Boase Massimi hits £1.7m target as growth accelerates

Boase Massimi Pollitt, advertising agency, yesterday reported pre-tax profits up 14 per cent from £1.48m to £1.68m for the first half of 1986, in line with the £1.65m forecast made in July at the time of the £9.3m rights issue and acquisition of Granby Marketing Services.

The company said that after this relatively slow start, earnings growth was now accelerating in the second half, with the unprecedented influx of new business recently won by BMPP and a growing contribution from the enlarged Marketing Solutions Group.

Looking to 1987, the company said it was confident of demonstrating a quickening pace of growth.

Stated half-yearly earnings per 12.5p share increased from 6.06p to 7.3p, and the interim dividend is stepped up by 0.25p to 1.75p net on capital increased by the rights—a 1986 total of not less than 5.75p has already been forecast.

Pre-tax profits included a reduced interest contribution of £21,000 (£145,000). After tax of £672,000 (£654,000) and minorities, net earnings came through ahead from £823,000 to £991,000.

In advertising, the Boase Massimi Pollitt Partnership has won a record number of new accounts so far this year which will boost billings by over £35m in 1987. The company said the business was thriving and the two associate advertising agencies were both moving ahead encouragingly.

In marketing services, the Marketing Solutions Group was also achieving healthy growth. The core consultancy practice had added substantial new contracts.

The sales promotion, design, reprographic and typesetting businesses were benfiting increasingly from work referred to them from within the group, as was the recently acquired distribution and promotional handling company, Granby Marketing.

● comment

Once a stock loses its glamour, it can prove very difficult to regain the market's confidence. Since mid-1985, BMP's shares have languished as profit growth has been sluggish and despite positive statements about the second half, the shares fell 3p to 297p on yesterday's results. However, the number of contracts won indicates that BMP retains a good reputation in the advertising industry and profits should start flowing through before the full year figures. Marketing services now represent around 40 per cent of turnover after the Granby acquisition and the broadening of the group should mean profits are less vulnerable to the odd client defection. Pre-tax profits should top £5m this year and £7m next, leaving the shares on a prospective multiple of 11, based on next year's earnings.

UK COMPANY NEWS

Acquisitions help boost Ward White to £10.3m

Ward White, the fast expanding retail group, yesterday reported half year pre-tax profits up more than a third at £10.28m and promised continued progress. The shares closed 6p lower at 364p.

Aided by its recent acquisitions, Payless DIY, the 21 strong department store chain Owen Owen and Zodiac Toys, whose results are included for the first time, the group's turnover rose by 72.1 per cent in the first half from £141.07m to £242.78m. Operating profit was more than double at £12.16m (£5.82m).

The group received e £637,000 surplus on the sale of property, significantly lower than the £3.28m surplus at the halfway stage last year, and £827,000 (£846,000) as its share of the profits of related companies.

After increased interest charges of £3.35m (£2.3m), pre-tax profits amounted to £10.28m, an increase of 34.5 per cent.

UK retailing now accounts for 75 per cent of the group's sales. Halfords, its motor accessory retailing company, which already has 20 edge-of-town superstores to complement its 346 high street stores, plans to open e further 10 superstores by the end of this year.

Payless DIY, the third largest DIY retail chaio in the UK with 68 units ecquired by Ward White in March, is also expanding. It plans to open another six superstores by the end of this year.

Mr Philip Birch, chairman, said he was pleased with the way the new acquisitions had successfully integrated into the group, and added thet he was looking forward to their continued expansion and development.

Overseas, the retail climate in the US, where Ward White has three shoe retailing chains and s safety footwear distributor, remains mixed, but lower costs meant the group was able to maintain profit levels. In Sweden, where the group has 24 shoe shops, demand was up considerably during the first half and the group anticipates another year of good progress.

The group is paying an increased interim dividend of 2.25p per 25p ordinary share and is confident that trading will continue to show good progress.

● comment

The pace of Word White's expansion has been so breakneck that the company could be forgiven for pausing to draw breath. Instead, it is looking for further major acquisitions. That may seem over-ambitious, but thoso who believed that too much was paid for Payless must be abashed by these figures, which show a £3m-plus contribution from the DIY chain in just four months. Organic growth was far from sluggish, contributing 45 per cent to the profits increase, with Halfords the star performer. In the second half, profits should pick up nt both Zodiac Toys and Owen Owen and there should be further strong advances at both Halfords and Payless. The only stagnant spot is footwear manufacturing and retailing where there is no sign yet that the Focus chain has defined its market. Although the shares fell 4p to 366p on the results, growth in operating profit of 109 per cent anc tho prospect of £41m full year seems to indicate that they are not over-rated on e fully diluted prospective multiple of 14.5.

Haynes hit by downturn in US

By Terry Povey

HAYNES Publishing, the car manual publishing company almost 76 per cent owned by the Haynes family, yesterday surprised ths market with a drop in pre-tax profits following falls in the contribution from its US subsidiary.

For the year to May 31 turnover was ahead by £1m to £10.4m bnt pre-tax profits fell from £1.7m to £1.56m. Trading profits in the UK were flat at £1.29m while those in the US were sharply down to £131,000 from £358,000.

Mr John Haynes, who founded the company in 1960, said that the US operations had been restructured and the group's core car repair manuals business relaunched. In the year being reported $146,000 in one-off costs and a further $160,000 in additional costs.

"We had to get out of distributing other people's books and make write-downs in the US," said Mr Haynes. The company estimates that it now has ebout 18 per cent of the US market and is in direct competition with Chilton, the market leader.

After taxes paid of £604,000 (£710,000) earnings per share were 19.08p against 19.42p. An unchanged final dividend of 9p makes 14p (13p) for the year.

While the second half was disappointing, the US relaunch has been well received, said Mr Haynes. The company had no debts and was keen to make e "good publishing acquisition," he added.

Hepworth Ceramic advances to £17.7m

Hepworth Ceramic has increased pre-tax profits in the first half to June 30 by 30 per cent to £17.66m, compared with £13.54m mado in the weak first half of last year.

Turnover in the first half of this year was down from £190.85m to £178.25m, but operating profit rose to £19.19m (£14.97m). After tax of £6.81m (£6.27m) and minorities, profit was £10.57m (£7.15m). Earnings per share increased 49 per cent to 8.7p (4.5p).

The company said most areas within the group had increased their profit levels. The UK companies improved performance reflected the benefits of continuing research and investment in advanced techoology as well as better order levels.

However, the US companies were still not performing satisfactorily. The situation was under review and action was being taken to correct it.

The interim dividend is being raised to 3.1p per share, from 2.9p previously. This will ebsorb £4.88m (£4.56m).

The group expected the second half to continue strongly.

● comment

Hepworth Ceramics suffnred n dismal first half last year, so it would have been grim news indeed if it hed not echieved a significant pre-tax advance yesterday. Most of the increase camo from the closure of loss-making activities and efficiency improvements: turnover was sharply down, and even after stripping out disposals and the effects of the dollar/sterling exchange rate, sales were barely 3 per cent ahead. The law of diminishing returns dictates that the scope for further profits increases without turnover growth must be limited, so interest now centres oo whnt the new top management will do. Rationalisations seem set to continue in the short term: Dickey, the heavy US loss-maker, is up or sale, and Western Plastics might go if the right offer were made. In the US the plastics division is seen as having tho strongest potential for organic growth: the clay and refractories companies are in mature markets and their main contribution in the future seems likely to be as cash generators to fund acquisitions in related areas. With £41m in sight this year, the prospective p/e ratio of 13 suggests that the shares, down 5p nt 218p, have some upward leeway nn speculative interest about the new management's plans.

MTI ahead but debt rises

BY TERRY POVEY

Media Technology International, the film camera rental and lens company associated with Lee International but separately listed, has reported pre-tax profits ahead £141,000 to £2.18m for the year to May.

Mr Roger Weston, the chairman, said that over the last year the company had switched its emphasis to the US "in order to redress the balance of what had been e very UK oriented company." Last year MTI purchased Mitchell Camera, the Burbank-based camera company, for £1.6m.

Partly as e result of this acquisition and partly due to the £1.15m Wembley warehouse purchase, net debt has risen to some £4m or two-thirds of shareholders funds. Net interest payments were "around £300,000" compared with £167,000 last year, and operating costs were £1.6m (£934,000).

After tax of £724,000 (£814,000), attributable profits were £1.5m (£1.06m) and earnings per share were up from 12.22p to 13.78p.

Overseas earnings aid Rbt. Douglas growth

Robert M. Douglas, civil engineer and building group, increased profits by nearly 80 per cent in the year to March 31 despite exchange rate variations and losses in its specialist contracting division.

The taxable result rose to £1.78m (£990,000) on turnover up to £146.46m from £142.56m previously. There was e tax credit of £988,000. Costs of establishing a manufacturing subsidiary in Malaysia were responsible for an extraordinary item of £281,000.

Mr John Douglas, the chairman, said two areas of the specialist contracting division had been making losses for some time and were in the process of being wound down. These were R. M. Douglas Roofing and the northern operations of Douglas Environmental Engineering. The closure costs would be felt in the current period.

The overseas division performed well in the period under review, with all but one company showing e profit. The construction equipment division did particularly well in Australia and New Zealand.

UK operations experienced tight margins due to the state of the construction industry, but the industry was showing signs of improvement.

A final dividend of 1.5p is recommended, making 2.25p.

Mr Douglas expects further improvement in 1986-87 in the light of profit turnrounds et some companies and the elimination of loss-making activities.

Schroders up at midway

Schroders, the London banking, finance, insurance and investment company, has reported that profits in the first six months were higher than in the same period of the previous year. In 1985, the company disclosed profits of £15.6m (£13.5m) from its banking subsidiaries, share of associates net profits were £2.16m (£3.6m), while Schroders plc and its non-banking subsidiaries incurred net losses of £1.28m (£2.81m).

The interim dividend is effectively unchanged at 3p per share — the total in 1985 was equal to 10.75p.

BENLOX HOLDINGS made first half pre-tax profits of £109,000 against a £67,000 loss in the comparable period of last year on turnover of £8.48m (£8.12m). The dividend is being raised 0.05p to 0.55p.

UK COMPANY NEWS

Caparo on course despite slow progress at Fidelity

ALTHOUGH PROGRESS at its Fidelity electronics side was slower than expected, Caparo Industries' pre-tax profits showed a substantial improvement from a depressed £91,000 to £615,000 in the first half of 1986. Excluding investment activities, the recovery was more significant, with operating surplus more than doubled at £2.06m, against £0.92m.

Mr Swraj Paul, the chairman, said yesterday that the company was having a much better year, and its profit recovery was well on course. Despite the slight downturn in industrial markets and the slower-than-expected recovery at Fidelity, he expected full-year figures to show a respectable improvement over last year's £950,000 pre-tax.

The interim dividend is unchanged at 0.75p net and the full year total is expected to be maintained. Mr Paul said the company still had every reason to be confident that the medium term future would show considerable growth, reflecting a full contribution from the United Merchant Bar project and the elimination of Fidelity's losses.

Group turnover in the half year rose 13 per cent to £59.8m. Interest charges fell from £1.76m to £1.36m, while investment activities contributed a sharply lower £27,000, against £1.06m last time. Undiluted

Mr Swraj Paul, the Caparo chairman

loss per 25p share was 0.61p (0.46p) while fully diluted earnings were 0.46p (0.01p loss).

Fidelity sales were up 50 per cent to £13.6m and optional loss reduced from £1.27m to £0.72m.

The principal adverse factor was a reduction in selling prices in response to highly competitive market conditions.

The major part of Fidelity's sales occurred in the last four months of the year and although the outlook was promising, the decline in margins meant that for 1986 as a whole, the company was unlikely to achieve the target of a small operational profit. Results, however would still show a significant improvement over 1985.

Operating profits in the group's industrial division (its largest) rose from £1.61m to £2m.

● comment

Caparo Industries would have struggled to record an increase in first-half profits without the benefit of last year's substantial investment gain. The fact that the turning round of Fidelity is taking longer than expected did not ease the strain. However, a strong performance from the non-electronic activities and progress towards recovery at Fidelity enabled the group to turn in a significant increase yesterday and suggested that £2.5m could still be on the cards for the full year. On a tax charge of 25 per cent, the shares, up 4p at 53p, look slightly outlandish on a current year p/e of 22, but the price is still looking ahead to 1987. Then, with a full year of United Merchant Bar and a positive contribution from Fidelity to be added to the rest of the group's growth, a good £6m must be in sight, putting the shares on a rating which begins to look modest at around 9.

Tyne Tees rises to £1.7m at six months

Tyne Tees Television Holdings, the USM quoted independent television programme contractor, lifted pre-tax profits to £1.69m in the six months to June 30, 1986, compared with £1.34m for the nine months to June 30, 1985.

Sir Ralph Carr-Ellison, the chairman, said the increase reflected both improved income and the benefits of last year's economies. Profits were struck after a Channel Four subscription of £4.18m (£6.74m) and Exchequer levy of £100,000 (nil), reduced by £211,000 provisions released in respect of previous periods. Sir Ralph said the benefits of the recent Exchequer levy changes would be realised mainly in the second half.

The chairman pointed out that while television advertising revenue had shown a significant growth in the period, the greater part of this growth had been in the South of England.

With advertising revenue continuing to be buoyant, the full year's results should compare favourably with the previous 15-month period to December 31, 1985, when pre-tax profits totalled £3.19m.

London Shop 12.5% higher

A 12.5 per cent increase from £6.46m to £7.27m in pre-tax profits for the year to April 30, 1986 was yesterday reported by London Shop Property Trust. Net assets per share rose from 177.5p to 193.6p.

The surpluses arising on the property valuation, and on sales of investment properties in the year 1985-86 represented an increase of 13.3 per cent over the net assets per ordinary share at April 30, 1985. That increase was, however, partially offset by various financial factors.

Net property revenue increased from £9.87m to £11.62m, partly as a result of increased rentals from property already in the portfolio, and partly due to income from property purchased. The housebuilding division again achieved very good results, contributing £1.22m (£878,000).

The final dividend is increased from 3.6p to 4.05p net, for a total of 5.5p compared with 4.95p. Stated earnings per 25p share improved from 8.3p to 9.8p basic, and from 7.5p to 8.8p fully diluted.

Mr Hugh Jones—he retires as chairman on October 23 and will be succeeded by Mr John Bushell—said consumer spending continued to be buoyant and consequently the outlook for investment in, and development of, retail property remained sound.

Estates Property passes £3m mark

Estates Property Investment Company increased its pre-tax profits from £2.88m to £3.13m in the year to April 30, 1986. The Net Asset Value rose from 191.7p to 197.9p.

The final dividend is unchanged at 5.5p, but the total is up from 8.25p to 8.5p net. Stated earnings per 25p share improved from 10.74p to 12.31p.

Gross rents were up from £5.7m to £6.85m, but ground rents were higher at £1.14m compared with £961,000. The pre-tax figure was after administration expenses down from £769,000 to £580,000, other income little changed at £58,000 (£55,000), and net interest charges of £1.55m (£1.25m).

After tax of £778,000 (£773,000) and dividends of £1.62m (£1.58m), retained profits came out at £728,000 against £476,000.

The company's net asset value per share was £197.9p (191.7p) at the year-end.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	185	165	Acatos & Hutcheson50p	183	−1	bd 5.25	2.9	4.0	12.2
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	68	......	L1.0	4.2	2.1	16.3
‡‡	F.P.	—	318	280	BTR Nylex A$0.50	314	......	Q15c	2.7	2.0	18.5
‡‡	F.P.	—	53	41	Berkeley Inv. Tst.	42	......	—	—	—	—
§45	F.P.	—	59	50	‡Broad St. Grp.10p	54	......	b1.1	2.2	2.9	22.3
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	......	—	—	—	—
§110	F.P.	12/9	127	111	‡Colline Int 5p	127	+7	R2.7	3.4	3.0	13.9
§130	F.P.	—	195	152	‡Creighton Labs 20p	195	......	U3.7	2.2	2.7	23.6
134	F.P.	—	161	134	‡F & H Group 10p	156	......	L4.76	2.5	4.3	12.9
150	F.P.	25/7	172	150	Guthrie Corp	172	+1	u5.3	2.2	4.3	11.0
150	F.P.	15/8	165	156	Harrison Inds. 10p	161	−1	g5.0	2.7	4.4	12.1
105.25	F.P.	—	108	104	India Fund £1	108	......				
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£38½	......	—	—	—	—
110	F.P.	5/9	98	90	‡Marina Dev. 50p	92	......	R3.13	3.0	4.8	8.8
§75	F.P.	—	79	78	‡Newage Trans.5p	77	......	R3.5	2.5	6.4	8.7
§25	F.P.	—	25½	25½	Nth of Scotland Inv 10p	25½	......	—	—	—	—
§33	F.P.	29/8	34	27	‡Omnitech 1p	30	......	—	—	—	—
§165	F.P.	1/8	184	157	‡Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
145	Nil	3/10	21pm	11pm	Sutcliffe Speak Uts†	17pm	−2	—	—	—	—
130	F.P.	21/8	173	137	‡TV-am 10p	170	−1	R5.75	2.6	4.8	11.4
‡‡	F.P.	—	163	152	VSEL Consortium £1	160	−3	W5.68	4.3	3.0	5.0
††	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	85	......	—	—	—	—
125	F.P.	—	156	145	Yorkshire TV	145	−2	R6.25	2.4	6.2	9.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	£10	23/10	10½	9	Bournem'th & Dist Wtr 10⅝%Rd Db 1996	9	......
¶	Nil	10/10	3pm	1½pm	Egerton Tst 7% Cv Cm Red Pf	1½pm	−1½
99.160	F.P.	24/10	101⅛	99⅝	Elect & Gen. Inv. 10¼% Deb. 2011	99½	−¼
¶¶	F.P.	—	99	86	Hollis 2½% Cnv. Subord. Ln. 1988 (21pp)	88	−2
—	—	—	29	27½	JF Pacific Warrant S. A. Pref.	28	......
105.523	F.P.	21/8	106½	97½	Land Securities 10% 1st. Mort. Deb.25	97½	......
§100	F.P.	—	110½p	105p	Mountleigh 5.25% Cnv. Cum. Prf.	110½p	+2½
§99.937	£25	24/10	25¼	23¾	Nationwide 3⅞% IL Ln. 2021	25¼	+⅛
—	F.P.	—	100⅛	100	Do 10¼% 17/8/87	100	......
—	F.P.	—	100⅛	99½	Do 9⅞% 7/9/87	99½	......
£100	£10	—	10¼	9	Portsmouth Water 10⅛% RedDeb 1996	9	......
¶	Nil	—	6½p	8p	Rush & Tompkins7.5%Cnv.Cum.Red.Prf£1	8p	......
¶	F.P.	30/9	106p	100p	Scantronic 5.75%-Cnv. Cum. Red. Prf.	102p	......
96.645	£25	—	24⅞	24⅛	Scot. Mut. Prop. 10¼% 1st Mort. Deb. 2016	24⅛	......

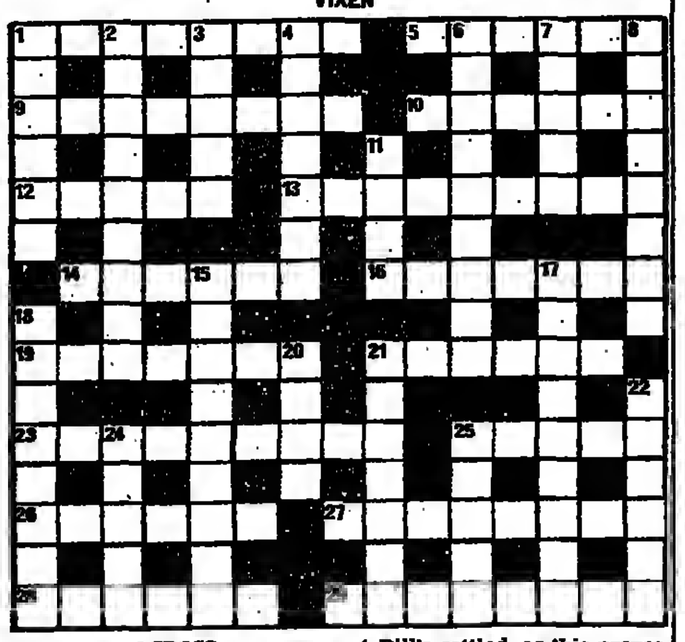
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
168	Nil	10/10	27pm	17pm	Allied Irish Banks	27pm	+3
200	Nil	—	9pm	5pm	Berkeley Technology	9pm	......
138	Nil	10/10	8½pm	2pm	Brown & Tawse	8½pm	+½
276	Nil	14/10	30pm	25pm	FII Group	25pm	......
215	Nil	—	25pm	23pm	Persimmon 10p	25pm	+2
315	Nil	—	30pm	16pm	Sedgwick Group 10p	26pm	−3

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. 1 Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

FT CROSSWORD PUZZLE No. 6123

VIXEN



ACROSS

1 Measuring instruments for the productiou of replicas (8)
5 A journalist passed and whirled round (6)
9 Bound ebout with particular result (8)
10 Save causing embarrassment (6)
12 A little spaniel, it emerges, is quite the best (5)
13 *Prisoners put underground* marked for return (9)
14 The learned fellow's German and in a hole (6)
16 Cricketers back 11 down individuals (7)
19 He's sure to make one cross! (7)
21 A steep requirement for converting foreign currency (6)
23 Removing the ashes of e monarch in the debacle (6,3)
25 Force up value (5)
26 Credit's arranged without the right declarations being made (6)
27 Keep offering jam (8)
28 Returned letter accepted by agent with alacrity (6)
29 Direction rebellious men gave out when trapped (8)

DOWN

1 Shows concern about a few graves (6)
2 A certain weakness may make lads use it (9)
3 Coppers press for a clean-up (5)
4 Bill's settled, as this proves (7)
6 Gives an order—"See to card distribution" (9)
7 Angry robber losing his head (5)
8 Some padres sing when getting ready for the day (8)
11 Good man with a seaman's 24 down (4)
15 Fired as a result of having dated note incorrectly (9)
17 The leading lady (9)
18 It is like the lower house, yet it is unique (8)
20 Cheat a man on the board (4)
21 Express a low opinion of record (3,4)
22 Saw the male sovereign into bed (6)
24 Cut up writer's material and iron (5)
25 Imitation stone cau be a pest! (5)

Solution to Puzzle No. 6,122

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

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13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.4	21.8	+0.5	0.15
Pacific Basin	16.4	17.5	+0.3	0.2
Canadian Balanced Growth	77.1	82.2	+0.3	0.98
Cirrus Max.	101.3	105.5	.....	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	58.9	61.6	+0.1	1.75
British Growth (z)	64.5	70.2	-0.1	2.00
British Income (z)	87.5	89.4	-0.3	4.50
British Extra Yield(z)	51.4	52.9	.....	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	47.8	48.9	.....	0.00
U.S. Govmt Bond Fd	0.521	0.524	.....	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cowtld A Equity Tst	49.9	53.1	-0.1	7.45
Growth Trust	53.5	57.0	.....	2.18
Income Trust	55.4	59.0	+0.2	4.94

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.3	73.8	.....	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	129.8	137.3	+0.2	3.10

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4WW 0222 35542

AA Friendly Sy Acc A		103.1	.....	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.3	218.2	.....	—
Equity Ser. 1	104.2	109.7	-1.4	—
Prop. Acc. Ser 2	278.9	293.6	.....	—
Equity Ser 2	113.2	119.2	-1.6	—
Selective Acc.	240.9	253.6	-1.7	—
Prop. Ser. 4	220.1	231.7	.....	—
Equity Ser 4	116.2	122.4	-1.3	—
Fixed Int. Ser. 4	186.4	196.3	+1.1	—
Indexed Inv. Ser. 4	115.2	121.3	+0.1	—
American Ser 4	257.7	271.3	-2.5	—
High Int. Ser. 4	289.3	304.6	-3.2	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory A Sime Bond	103.0	109.0	.....	—
Risk A Reward Bond	123.0	130.0	+1.0	—
Murray Johnstone Fd	124.0	131.0	.....	—
Money Market Fd	102.0	107.0	.....	—
Ivory & Sime Pens Fd	109.0	111.0	.....	—
Risk A Reward Pens Fd	102.0	108.0	.....	—
Murray J'stone Pens Fd	121.0	128.0	.....	—
Money Market Pens Fd	101.0	107.0	.....	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	113.0	119.0	.....	—
Money Fund	222.0	233.7	.....	—
Managed Fund	410.7	432.4	+0.2	—
Equity Fund	259.0	272.7	+0.1	—
Fixed Interest Fund	146.9	154.7	+0.3	—
Far East Fund	216.7	228.2	+2.0	—
North American Fund	175.7	185.0	-2.1	—
Natural Resources Fund	138.7	146.0	+0.3	—
Pension Managed Fund	383.3	403.5	-0.3	—
Pension Equity Fund	244.9	257.8	+0.3	—
Adventurous Mngd Fd	110.7	116.6	+0.9	—
Balanced Mngd Fd	106.8	112.5	+0.8	—
Conservative Mngd Fd	106.0	111.6	-0.1	—
European Fund	105.7	111.3	.....	—
International Fund	106.7	112.4	+1.2	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	133.9	141.0	-0.9	—
Equity	152.1	160.2	-0.9	—
Property	109.0	114.8	.....	—
Gilt & Fixed Interest	113.1	119.1	-0.9	—
Indexed Securities	100.7	106.1	-0.3	—
Cash	107.4	113.1	.....	—
North American	106.2	111.8	-1.4	—
Far East	132.7	139.7	-0.8	—
International	125.4	132.0	-1.0	—
Special Situations	145.6	153.3	-1.2	—
International Income	140.2	147.6	-1.3	—
American Income	119.5	121.8	-1.6	—
European	149.2	157.1	-0.8	—
Flexible Retirement Plan				
Mixed	138.6	146.9	-0.9	—
Equity	148.3	156.2	-1.0	—
Property	114.3	120.4	-0.1	—
Gilt & Fixed Interest	120.3	126.7	+0.8	—
Indexed Linked	104.4	109.9	+0.4	—
Cash	115.3	121.4	.....	—
North American	110.6	116.5	-1.9	—
Far East	150.3	158.3	-0.2	—
International	133.9	141.0	-1.3	—
Special Situations	164.5	173.2	-1.8	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $14.15 ... +0.26 —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.12 ... +0.25 —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Zero Bond Fund Limited
PO box 208 St Peter Port, Guernsey ... 0481 26268

Money Market Trust Funds

	Gross	Net	CAR	Int. Cr.
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ				01-588 1815
The Money Market Trust				
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE				01-236 1425

Money Market Bank Accounts

	Gross	Net	CAR	Int. Cr.
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF				031-225 8484
Full Service Chq Acc	9.25	6.60	9.45	Qtr
Aitken Hume				
30 City Road EC1Y 2AY				01-638 6070
Allied Arab Bank Ltd				
97-101 Cannon St London, EC4N 5AD				01-283 9111
Bank of Scotland				
38 Threadneedle St EC2P 2EN				01-628 8060
[illegible]				
German Marks	4.00	2.99	4.01	Mth
Swiss Francs	1.53	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.07	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove				01-581 1422
Money Market Plus ... Top rate		7.00	10.18	Mth
For other rates please 'phone our Ratefone 01-581 0629				
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE				0803 862271
Money Mkt Acc	9.50	7.10	10.56	Qtr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EN				01-628 8060
Money Mkt. Cheque Acc	9.30	6.95	10.12	Mth
Legal & General (Money Mngrs) Ltd				
355 Euston Road, NW1 3AG				01-388 3211
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS				01-626 1500
HighintCheque Account	9.30	7.20	10.42	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH				01-409 3434
14-Day Notice	9.00	6.72	4.46	—
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.29	6.87	10.02	Daily
Midland Bank plc				
PO Box 2, Sheffield.				0742 20999 Ext 8655
High Int Chq Acc	9.00	6.75	5.75	Qtr
£10,000 +	9.36	7.00	10.12	Qtr
M.I.M. Britannia Ltd				
74-78 Finsbury Pavement, EC2A 1JD				01-588 2777
Cash Acc	9.55	7.12	10.33	—
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-726 9911				
£2,000 to 19,999	9.25	6.97	4.98	Qtr
£10,000 and above	9.75	7.37	10.12	Qtr
Oppenheimer Money Mgmnt Ltd				
66 Cannon St EC4N 6AE				01-236 1425
Money Mngt. Acc	9.125	—	—	3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP				01-628 9771
High Int Chq Acc	9.575	7.01	10.19	Qtr
Provincial Trust				
30 Ashley Rd, Altrincham Cheshire				061 928 9011
High Int Chq Acc	10.00	7.48	10.30	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE.				031-557 0201
Premium Account	9.50	7.10	[illegible]	Qtr
Save & Prosper/Robert Fleming				

[illegible]

NOTES

[illegible] Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. φ Yield column shows annualised rates of NAV increase. [illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	38	NEI	12
Amstrad	23	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect.	16
Babcock	17	RHM	28
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	38	TI	42
Brit Aerospace	45	Tesco	32
Brit Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs.	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brist. Oil & Min.	$2\frac{1}{2}$
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	48	Burmah Oil	38
ICI	55	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds.	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk.	44	Rio T Zinc	58
Morgan Grenfell	38		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Platinum and gold down sharply

BY RICHARD MOONEY

PLATINUM AND gold prices fell heavily on world markets yesterday in what most traders saw as an overdue correction following the exceptional strength of the two markets in recent weeks.

On the London market selling triggered by the overnight fall in New York took the platinum price $53.25 lower at $570 a troy ounce. And the New York price moved down further in early trading yesterday.

The gold price, which had lagged behind platinum on the way up, fell a relatively modest $15.375 to $403 an ounce.

In spite of the size of yesterday's falls, analysts were generally reluctant to pronounce the recent bull run over. Having risen by nearly $140 in less than three weeks—mainly on fears that South Africa, which accounts for more than 85 per cent of western world supplies, might restrict sales in retaliation against economic sanctions—the platinum market had become "over-extended," said Mr Anthony Hodges, an analyst with Rudolf Wolff, the London metal trader. He thought yesterday's correction was "healthy."

In chart terms, he said, "the upward trend is still intact."

At Shearson Lehman Brothers Mr Stephen Briggs said fundamental supply demand factors for platinum still appeared bullish.

In New York Mr Bill O'Neill of Elders Futures said the sell-off in precious metals had been fuelled by a general market decline, with financial futures, Eurobonds and equity values all well down.

"All things considered," he said, "the gold market has held up reasonably well."

In London yesterday gold prices were reported to have met significant support just above $400 an ounce, which is seen as a psychologically important level. But Mr Hedges said he thought the main support level was at the $387 level, the breaching of which last week had unleashed the fresh wave of speculative buying which pushed the gold price to its recent high.

● The New York Mercantile Exchange (NYMEX) yesterday announced a sharp increase in margin requirements for platinum futures trading following a sharp fall in the metal's price from recent highs, writes Alexander Nicoll in Buergenstock, Switzerland.

Ms Rosemary McFadden, the Nymex president, who is attending an annual meeting of futures exchange officials here, said she had taken the measure because of the volatility of the market, which has seen an influx of smaller speculators as gold and platinum prices have risen on moves to impose economic sanctions on South Africa.

She said there had been some levelling out in stock levels of platinum recently.

On Wednesday, Nymex platinum fell the $37.50 daily limit on record volume of 23,700 contracts, with open interest rising to 31,000 contracts. Yesterday the daily limit was expanded to $50.

Colombia's pick and shovel prospectors

BY SARITA KENDALL

THOUSANDS OF prospectors are at work along the rivers that meander across the forested lowlands of north-western Colombia. Shovelling, panning, diving and digging, they are the main force behind a dramatic increase in the country's gold production: Colombia's output is expected to be more than 40 tonnes this year, compared with 22 tonnes in 1984.

This is one of the lesser-known corners of a worldwide boom in exploration and development for gold, reflecting the relatively healthy returns to be earned from precious metals at a time when the prices of most other minerals remain deeply depressed.

In Colombia, the prospectors provide the labour, but the central bank (Banco de la Republica) created the incentive. In 1983 and 1984 Colombia's international reserves were dropping sharply, and the difference between the official and black market exchange rates widened. It became more profitable to smuggle gold to Panama than to sell it to the central bank for devalued pesos, so much so that by early 1984 the bank was buying less than a tonne a month. But gold purchases tripled in March, when a 30 per cent premium was added to the international price.

Since then the bonus has been reduced to 15 per cent and finally to 9 per cent without noticeably cooling the gold fever of wandering prospectors, whose tools are barely more sophisticated than those seen by the invading Spaniards in the 16th century. A wealth of finely worked pre-Colombian jewellery and ornaments — of which only a tiny fraction makes up the magnificent display in the central bank's gold museum — has been unearthed since the conquest.

Historians estimate that Colombia was producing about a quarter of the world's gold during the 18th century.

Most of its came from alluvial deposits in Cauca and Antioquia, along the foothills of the central Andean mountain range. From the middle of the 19th century, foreign companies began to invest in alluvial and hard rock operations in the northwest. Antioquia gradually became the main focus of activity, and today it accounts for about three quarters of national production.

Nearly all Colombia's gold is smelted and refined by three long established Meddellin firms, on contract to the central bank. At the Fundición Escobar, there is a heliport on the roof to reduce the security risk of bringing gold in from distant towns and villages. Bullet-proof glass partitions shield the offices, cameras watch the heavy steel doors that flank the entrance, and armed guards have strict instructions not to let several people in at a time.

Producers bring their gold dust or "amalgam" in to the well-protected reception desk, where weights are carefully checked and noted. The company knows most of its clients, and turns away people who cannot prove that their gold has been mined in Colombia. Although the smelters are responsible for preventing smugglers from taking advantage of the central bank's price bonus, some gold slips through to swell national production figures. Each week the Fundicion Escobar processes between 200 and 300 kg into gleaming 12 kg bars.

The central bank sells a little gold for domestic use, and sends most of Colombia's production (0.995 parts pure) to European dealers for assay. It then goes into the Bank of England or US Federal Reserve vaults, where it is available for strenghtening the nation's foreign currency holdings. Gold bullion normally constitutes less than 15 per cent of Colombia's international reserves, though the proportion has risen as high as 35 per cent when reserves fell very low.

In Antioquia's frontier towns such as El Bagre, everyone keeps track of the international price of gold. The individual prospector may not find the trip to Medellín worth his while, so he settles for a 10 per cent discount with a local dealer, avoiding the risk of being robbed on the way to the city. The central bank has several buying agencies in gold producing zones, but there were problems in El Bagre, which has rather too many bandits and guerrillas for comfort.

El Bagre earns over $1m a year from a 2 per cent tax on gold production, though its streets are only just being paved and there are more boats than cars. Last year four people were killed and three small planes burnt in a local strike held to protest at the lack of public services. Up and down the river, people spend long, back-breaking days feeding sluice boxes and panning in the shadow of giant dredges belonging to Mineros de Antioquia.

Mineros de Antioquia was formed in 1974 when the Government "Colombianised" the big gold mining companies, which at that time were almost entirely controlled by the International Mining Corporation. One of the companies, Pato Consolidated Gold Dredging, had been working along the Nechi river valley since the beginning of the century, and Mineros de Antioquia took over these operations. At the present rate of exploitation the reserves will last about 14 years. Exploration continues, although the richest known deposits have already been used up.

Six dredges work round the clock, throwing out huge quantities of gravel and producing about 130 kg of gold a month. A helicopter picks up the day's production from the dredges, and the mercury is extracted from the amalgam in the laboratory at Mineros de Antiquia's camp. The company employs about 600 people, and has contributed to the construction of health centres, roads and sports grounds in El Bagre. Security problems (including threats from guerrilla groups) are a constant headache, and armed guards with trained dogs protect the dredges at night.

Large scale mining companies account for less than 5 per cent of Colombia's gold production. The only big hard rock operation is run by Frontino Gold Mines, which will be increasing output to about two tonnes a year following a major discovery.

As a result of the central bank's pricing policy many small scale miners are investing in modern equipment such as pumps, excavators and diving rigs. Prospectors may respond quickly to price incentives, but they invade properties, they have very low recovery rates, and they bring enormous social problems with them. Thousands of acres in northern Antioquia have been stripped of vegetation, and mercury is polluting the rivers.

Apart from setting the price of gold, the Government has surprisingly little influence on production. Mr Juan Fernando Rico, the general manager of Mineros de Antioquia, says: "There's too much red tape at the ministry of mines, but there's no policy." The national planning department has no foreign projects in its files, and there are such tedious delays in trying to legalise mining activity that many do not bother. According to Mr Joaquin Londoño, who was president of the Colombian miners' association for many years, Colombia's policy is very simple: "If the price of gold falls, production will fall, and vice versa."

A prospector looks for gold in Antioquia, Colombia

China expects bigger harvest

BY COLINA MACDOUGALL

CHINA EXPECTS a satisfactory grain harvest this year provided no further natural disasters hit the country, Peking's English language China Daily said yesterday.

Total grain output is not likely to reach the 1984 record of 407m tonnes but, with favourable weather from now on, should exceed last year's 379m. However, production in the south and coastal areas, hit by frost and typhoons, will be down this year, Yin Lexin, of the Planning Department of the Ministry of Agriculture, Animal Husbandry and Fishery, told the China Daily.

According to Yin, output is also expected to fall in the three north-eastern provinces, Jilin, Liaoning and Heilongjiang. This is one of China's largest grain areas. Last year's floods and storms had already caused a drop of 12.5m tonnes below the 1984 production.

While China has so far published no details, crops likely to be affected include rice in the south and spring wheat, maize and soyabeans (which Peking counts in the grain category) in the north-east. Of these, rice, maize and soyabeans are important export crops, with sales in the first half of this year running at 430,000 tonnes, 3.08m tonnes and 320,000 tonnes respectively.

Following good harvests in the early 1980s, the country has large stocks of grain. However, while wheat imports dropped 60 per cent below the 1982 level to 5.4m tonnes in the first half of this year, at 3.8m, they were again on the rise.

Last year's harvest drop was attributed not just due to poor weather but also to the peasants' loss of interest in grain when more money could be made in the profitable sidelines now permitted. This year, thanks to new incentives such as higher prices and cheaper fertiliser, over 1.3m hectares used for other purposes in 1985 have been restored to grain.

Yin Lexin told the China Daily that Peking planned to create a Yuan 5bn ($1.45bn) fund from the income of rural enterprises to provide grain subsidies over the next five years. This is a further measure taken by the reformist leadership to counter criticism from traditionalists in Peking who feared that the social consequences of a continuing fall in grain output.

Saudis deny breaching oil output limit

By Richard Johns

DURING the first week of this month Saudi Arabia observed its commitment to limit its output to less than 4.353m barrels a day, official statement issued yesterday in Riyadh insisted.

The reaction from the Ministry of Petroleum and Minerals was prompted by a report earlier this week saying that the Kingdom's production during the first five days of September had run at 5.1m b/d.

According to senior industry executives, the rate of loadings in the first week was about 4.5m b/d not including Saudi Arabia's entitlement of crude from the Neutral Zone (shared equally with Kuwait) of rather more than 100,000 b/d. They said, however, that the excess was accounted for by August output.

A recent executive committee meeting of the Arabian American Oil Company, involving representatives of the US partners in the Kingdom's main producing operations is understood to have left no doubt that Riyadh is determined to honour its obligations under the Organisation of Petroleum Exporting Countries' production sharing pact.

Under this, 12 members agreed to restrict their collective output during September and October to 14.8m b/d. Iraq was not party to the agreement.

Industry estimates put total output in the first week of the month in the 17-17.2m b/d range, rather more than the 16.7-16.8m b/d expected if the 12 members abided by their quotas and Iraq maintained a rate of 1.9-2m b/d.

In practice, Iraq is thought to have been producing in excess of 2m b/d and perhaps as much as 2.2m b/d by maximising its exports by trucking operations via Jordan.

Soviet boost for Polish horticulture

By Christopher Bobinski in Warsaw

POLAND IS to boost its fruit, vegetable and flower exports to the Soviet Union three-fold by the end of the century, according to a recent bilateral agreement.

The agreement includes cut flowers, frozen products and fruit juices and the tonnage involved will rise from 314,000 tonnes this year all told to 900,000 tonnes in the year 2000.

Sales of apples alone, which amounted to 160,000 tonnes this year, are to rise to 540,000 tonnes in 15 years time.

Output by the Polish fruit and vegetable sector, which in the main is in private hands, regularly exceeds domestic demand and finding export markets has become an urgent priority.

Jamaica's Israeli farm venture collapses

BY CANUTE JAMES IN KINGSTON

A LARGE high technichology farm established by the Jamaican Government and Israeli investors as a showpiece of the island's potential for non-traditional agriculture, has collapsed with heavy financial losses.

The US$30m investment in south central Jamaica was started in 1982 and aimed at covering 6,000 acres with winter vegetables, fish and fruit, using the latest in irrigation technology and computerised packaging and grading. The venture was intended to spearhead Jamaica's entry into the winter vegetable markets in the US and Western Europe.

Announcing the collapse of the venture, Mr Mayer Matalon, chairman of the state-owned National Investment Bank, which represent the Government's interest, said the soil at farm was found to be too poor for winter vegetables.

He reported that between 1982 and 1985, the project recorded losses of J$47.7m (US$8.6m), and that the performance since was "even more unfortunate." Final figures were not yet computed, he said.

Mr Matalon said the plan to develop winter vegetables would be concentrated instead on 10,000 acres around a former sugar estate, and the land previously used for vegetables would be converted to banana.

In an effort to shore up foreign earnings, hit by falling production of bauxite, sugar and bananas, the Jamaican Government had identified the US and European winter vegetable markets as having significant potential.

LONDON MARKETS

RENEWED CONCERN about the weather in Brazil, which remains dry, sparked off a new wave of buying in the coffee market which lifted nearby futures to the highest levels for more than five months. The November position, which had moved lower over the two preceding days, bounced back with a £45 rise to £2,392.50 a tonne. The cocoa futures market also reversed its earlier weakness with the December quotation advancing £27 to £1,557.50 a tonne. Dealers said the rise was inspired mainly by chart patterns, backed up by weaker sterling against the dollar. The market was watching for possible crop damage caused by dry weather in West Africa and Brazil, they added. On the London Metal Exchange concern about nearby supply tightness continued to buoy up zinc values and the cash position added £5.50 to Wednesday's £16.50 rise. Other metals were modestly higher on sterling's weakness.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	834-6	+22.5	—
3 months	806-6.5	+16.75	806/798

Official closing (am): Cash 818-9 (812-3); three months 793.5-4 (786-9); settlement 819 (813). Final Kerb Close: 802.5. Turnover: 16,775 tonnes.

COPPER

LEAD

NICKEL

ZINC

TIN

GOLD

SILVER

MEAT

OIL

INDICES

REUTERS

Sept 10	Sept 9	M'th ago	Year ago
1491.4	1487.5	1460.0	1740.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept 10	Sept 9	M'th ago	Year ago
Spot	121.95	122.26	—	111.50
Fut	123.70	123.24	—	112.57

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 11 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	[illegible]		[illegible]
Copper			
Cash Grade A	£914.5	+5	£879.75
3 mths	£932.75	+3.5	£899.25
Gold Troy oz	$403	−15.37	$384.75
Lead Cash	£278.5	+1	£263.75
3 mths	£282.25	+2.12	£266
Nickel			
Free Mkt	168/180c	−1	170/180c
Palladium oz	$134.00	−7.25	$137.50
Platinum oz	$570.00	[illegible]	[illegible]
Quicksilver†	$125/135		$155/165
Silver troy oz	381.35p	−9.70	354.60p
3 mths	390.45p	−10.20	362.45p
Tin			
free mkt	[illegible]	+10	[illegible]
Tungsten	$59.75		$52.16
Wolfram 22.04lb	$36/46		$40/46
Zinc	£598.5	+8.5	£540.0
3 mths	£602.5	+4.25	£542.5
producers	$840/880		$840
OILS			
Coconut (Phil)	$252.5z		$200
Palm Malayan	$205y	+5	$200
Copra (Phil)	$155x		$140
Soyabean (U.S.)	$158		$146.5
GRAINS			
Barley Fut.Nov.	£107.90	+0.25	£104.15
Maize	£153.00		£151.00
Wheat Fut.Nov.	£107.85	−0.15	£106.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1557.5	+27	£1439.5
Coffee Ft. Nov.	£2392.5	+45	[illegible]
Cotton A Ind.*	41.50c	+0.25	37.05c
Gas Oil Nov.	$129	−4	$152

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

POTATOES

RUBBER

SUGAR

GAS OIL FUTURES

US MARKETS

PLATINUM was yet again the focus of interest on the New York precious metals markets, as in another choppy session the fourth consecutive limit-down movement took October values at one point down to $540.2 per ounce, the lowest levels for over three weeks, reports Heinold. The market did, however, rally from its expanded $50 limit movement to close just under $15 lower on the day at $575. This was seen in some quarters as proof that the violent downtrend seen this week may have been severely oversold. The decision of the Mercantile Exchange to raise position margin requirements for the second time in a week may also have encouraged the liquidation of many speculative positions. New York sugar futures lost many of the gains it booked this week, with a lack of follow-through technical buying and the absence of constructive fundamentals taking 25 points off the October delivery position.

NEW YORK

CHICAGO

FREIGHT FUTURES

Ivory Coast to sign cocoa pact

THE Ivory Coast says it has told its ambassador in New York to prepare the way for provisional application for the next International Cocoa Agreement, International Cocoa Organisation delegates said.

The ambassador is expected to do this at the United Nations in the next few days, reports Reuter.

Meanwhile, Cameroon is expected to undertake similar procedures at the UN today.

The Ivorian announcement was made at an ICCO executive committee meeting in London. Ghana, Togo and Brazil have already signed the new pact, which was negotiated in Geneva in July.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Short covering boosts dollar

THE DOLLAR rose to its best level since late July in currency markets yesterday, following a sharp bout of short covering during the afternoon. Trading was a little confused to begin with as dealers held back ahead of the Bundesbank central council meeting. There had been little chance of a cut in the West German discount rate and when this was confirmed the dollar dipped only briefly before improving sharply in the afternoon.

There were suggestions that despite a lost opportunity to widen interest rate differentials, the dollar was underpinned by rumours that data due for release today would show a sharp rise in US retail sales, decreasing the pressure on the Fed to cut rates to stimulate the economy.

Working on this rather tenuous mandate, the dollar rose to DM 2.0910 against the D-Mark up from DM 2.0635 and Y156.30 compared with Y154.75. It was also higher against the Swiss franc at SFr 1.6990 from SFr 1.6740 and FFr 6.8325 from FFr 6.7450. On Bank of England figures, the dollar's exchange rate index rose from 111.0 to 111.8.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. August average 1.4870. Exchange rate index 71.6 up from 71.4 at the opening and Wednesday's close. The six months ago figure was 74.4.

Sterling moved higher in line with the dollar and consequently finished the day up against most European currencies. Oil prices remained stable and UK interest rates were steady. There was little else to influence the pound and it closed at $1.4690 from $1.4815. Against the D-Mark it rose to DM 3.0725 from DM 3.0575 and Y229.50 compared with Y229.25. Elsewhere it finished at SFr 2.4950 from SFr 2.4800 and FFr 10.0375 from FFr 9.9925.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0240. August average 2.0624. Exchange rate index 129.0 against 134.5 six months ago.

The D-Mark suffered against the dollar in Frankfurt yesterday amid a bout of short covering following news of an unchanged discount rate. The Bundesbank's central council meeting had not been expected to herald a cut in rates but there was still some nervousness ahead of the meeting. Later in the day a growing conviction that the dollar would stabilise on an upturn in US economic indicators helped to push it firmer. The dollar was fixed at DM 2.0678 before the meeting had finished, up from DM 2.0611 and there was no intervention by the Bundesbank. It closed at DM 2.0645 up from DM 2.0625.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. August average 154.15. Exchange rate index 216.2 against 191.8 six months ago.

The yen was slightly weaker against the dollar in Tokyo but trading was confined to a narrow range with no new factors to influence sentiment. The US unit closed at Y155.35 compared with Y154.65 in New York and Y155.40 in Tokyo on Wednesday. Once again volume was low as dealers awaited the outcome of the Bundesbank meeting although there were few hopes of a cut in the West German discount rate. In addition today sees the release of US economic data which should provide some indication on the strength of the US economy.

£ IN NEW YORK

Sept. 11	Latest	Prev. close
Spot	$1.4805-1.4815	$1.4810-4820
1 month	0.48-0.46 pm	0.54-0.52 pm
3 months	1.44-1.40 pm	1.47-1.45 pm
12 months	4.95-4.85 pm	5.10-5.05 pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Sept 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4685-1.4860	1.4805-1.4815	0.48-0.46c pm	3.80	1.46-1.40pm	3.86
Canada	2.0430-2.0635	2.0630-2.0650	0.28-0.18c pm	1.35	0.70-0.53pm	1.30
Nethlnd.	3.44¼-3.47¾	3.46-3.47	1½-1¼c pm	4.78	4¼-3⅞pm	4.62
Belgium	63.23-63.83	63.50-63.60	17-11c pm	2.64	46-37pm	2.61
Denmark	11.56½-11.66¾	11.62½-11.63½	¼-¾ore dis	−0.48	¾-1½dis	−0.39
Ireland	1.1110-1.1112	1.1180-1.1190	0.05-0.10c dis	−0.80	0.10-0.30dis	−0.72
W. Ger.	3.05½-3.08¼	3.06¾-3.07¾	1½-1¼pf pm	5.37	4⅛-3⅞pm	5.29
Portugal	216.89-219.28	217.05-218.87	100-155c dis	−7.02	280-430dis	−6.24
Spain	200.17-201.56	201.20-201.56	35-55c dis	−2.68	85-135dis	−2.18
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

CURRENCY MOVEMENTS

Sept. 11	Bank of England Index	Morgan Guaranty Change %
Sterling	71.6	−21.1
U.S. Dollar	111.6	+2.5
Canadian Dollar	77.7	−13.8
Austrian Schilling	130.4	+8.1
Belgian Franc	96.1	−6.1
Danish Kroner	87.2	−0.4
Deutsche Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-82=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr	[illegible]	[illegible]	[illegible]
Span'h Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Drch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Sept 10: N/A.

EXCHANGE CROSS RATES

Sept. 11	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.469	3.073	229.5	10.04	2.495	3.465	2119	2.039	63.55
$	0.681	1.	2.092	156.2	6.833	1.698	2.359	1442	1.388	43.26
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Sept. 11	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	6⅞-7⅛	7-7⅛	7-7⅛	7-7⅛	7-7⅛	7-7⅛
Yen	4⅞-4⅝	4⅞-4⅞	5⅛-5⅛	4⅞-4⅞	4¾-4⅞	4¾-4⅞
D. Krone	8¾-9¼	9½-10	9¾-10¼	10-10⅛	10⅛-10¾	10⅛-11
Asian $ (Sng)	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	6⅛-6	6⅛-6	6⅛-6⅛

Long-term Eurodollars: two years 6⅞-7 per cent; three years 7⅛-7½ per cent; four years 7⅜-7⅝ per cent; five years 7⅝-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

OTHER CURRENCIES

Sept. 11	£	$
Arg'tina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
H'Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Lux'burg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N'Z'land	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Sing'pore	[illegible]	[illegible]
S.Af.(Cm)	[illegible]	[illegible]
S.Af.(Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* selling rate

STERLING INDEX

	Sept 11	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	71.6	71.4

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6.87316	6.85587	+0.12	+0.04	±1.3659
Dutch Guilder	2.37833	2.37345	−0.21	−0.35	±1.5059
Irish Punt	0.764976	0.764038	−0.12	−0.26	±1.6683
Italian Lira	1476.95	1450.94	−1.76	−1.76	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Bundesbank leaves rates unchanged

THE West German Bundesbank left credit policies unchanged at yesterday's council meeting. The discount rate remained at 3.5 per cent and the Lombard rate at 5.5 per cent. This news had been widely expected, in spite of recent pressure from US officials for countries with strong economies, such as West Germany, to help reduce the U S trade deficit by increasing economic expansion and cutting interest rates. Strong West German growth of 3.3 per cent in the second quarter of the year, coupled with above target money supply growth, continues to make the German authorities reluctant to reduce interest rates and encourage an overheating of the economy. Figures published this week showed central bank money stock growth in August of 7.1 per cent, compared with 6.7 per cent in July, and leaving money supply growth this year well above the Bundesbank's target range of 3.5 to 5.5 per cent.

In London the money market was very quiet, showing a flat yield structure. Interbank rates from one-month to one-year were quoted at 9⅞-10 per cent.

The Bank of England initially forecast a money market shortage of £550m, but revised this to £500m in the afternoon. Total help of £354m was provided.

Before lunch the authorities bought £164m bills outright, by way of £1m bank bills in band 1 at 9⅞ per cent; £15m bank bills in band 2 at 9⅞ per cent; £1m Treasury bills in band 3 at 9⅞ per cent; £54m bank bills in band 3 at 9⅞ per cent; and £93m bank bills in band 4 at 9⅞ per cent.

In the afternoon the Bank of England purchased another £149m bills outright, through £27m bank bills in band 2 at 9⅞ per cent; £107m bank bills in band 3 at 9 per cent; and £15m bank bills in band 4 at 9⅞ per cent.

The authorities also provided late assistance of around £40m.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £565m, with the unwinding of repurchase agreements absorbing £308m, a rise in the note circulation £15m, and bank balances below target £60m. These outweighed Exchequer transactions adding £395m to liquidity.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	7½
Broker loan rate	6¾-7
Fed funds	5⅞
Fed funds at intervention	5¾
Treasury Bills & Bonds	
One month	4.97
Two month	4.94
Three month	5.24
Six month	5.34
One year	5.51
Two year	6.41
Three year	6.68
Four year	7.00
Five year	7.07
Seven year	7.38
10 year	7.53
30 year	7.71

MONEY RATES

Sept. 11	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v't'n
Frankfurt	4.35-4.45	4.35-4.50	4.35-4.50	4.35-4.50	4.35-4.50	5.5
Paris	7	7⅛-7⅜	7⅛-7⅜	7-7⅛	7-7⅛	7
Zurich	⅛-1⅛	4⅛-4⅜	—	4⅛-4⅜	—	—
Amsterdam	4⅞-4⅞	5⅛-5⅜	—	5⅛-5⅜	—	—
Tokyo	4.93125	4.84375	—	N/A	—	—
Milan	11⅛-11⅛	10⅞-11⅛	—	10⅞-11⅛	—	—
Brussels	6.10	7⅛-7⅜	—	7⅛-7⅛	—	—
Dublin	9⅛-9⅞	9⅞-9⅞	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	—

FT LONDON INTERBANK FIXING

(11.00 a.m. September 11)

Three months US dollars		Six months US dollars	
bid 6 ⅛	offer 6	bid 5 ⅞	offer 6

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

September 11	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9⅛-10⅛	9¾-9⅞	9⅞-10	9⅞-10	9⅞-10	9⅞-10
Sterling CDs	—	—	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞
Local Authority Depos	9⅝-9¾	9¾	9⅞	9⅞-9⅞	9⅞	9⅞
Local Authority Bonds	—	—	10¼	10¼	10¼	10
Discount Mkt. Depos	9-9⅞	9¾	9¾	9⅞	—	—
Company Depos	9⅞-10	10	10-10⅛	10	10	10
Finance House Depos	—	—	10	10	10	10
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞-9⅞	—
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	10⅛	—
Dollar CDs	—	—	6.00-6.05	5.90-5.95	5.90-5.95	6.15-6.20
SDR Linked Depos	—	—	5⅞-6⅛	5⅞-6⅛	5⅞-5⅞	5⅞-6⅛
ECU Depos	—	—	7⅛-7⅞	7⅛-7⅞	7-7⅛	7-7⅛

Treasury Bills (sell): one month 9⅞ per cent; three months 9¾ per cent. Bank Bills (sell): one month 9⅞ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate at discount 9.4444 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from August 21. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

FINANCIAL FUTURES

Sharp fall

PRICES FELL sharply on the London International Financial Futures Exchange yesterday, as traders reviewed their attitude towards the US economy, and the interest rate picture remained uncertain. US Treasury bond futures fell to limit down in Chicago as rumours circulated that last night's money supply figures would show strong growth and that today's US retail sales figures for August will be high. Dealers also commented that there are signs of storm clouds on the horizon, with credit increasing at too fast a pace, increasing fears about rising inflation.

Sterling denominated contracts also lost ground, with long term gilt futures weakening, after an early round of short covering led by stockjobbers. This short-covering took December gilts up to a resistance point of 117-16, followed by a period of some reluctance to fall. But in late trading the contract fell sharply, led by an equally sharp decline in short sterling futures. This was partly in sympathy with the movement in US bonds, but also reflected fears that London interest rates have reached a plateau. The flat yield structure in the money market led to suggestions the next move in base rates will be up, particularly after disappointment the West German Bundesbank did not cut its discount rate yesterday.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
116	2.29	3.21	—	—	1.61	3.07	—	—
118	1.26	2.28	—	—	3.04	4.14	—	—
120	0.52	1.46	—	—	4.30	5.32	—	—
122	0.27	1.12	—	—	6.06	6.62	—	—
124	0.13	0.50	—	—	7.56	8.36	—	—
126	0.08	0.33	—	—	9.48	10.18	—	—
128	0.02	0.20	—	—	11.44	12.08	—	—
130	0.01	—	—	—	13.43	—	—	—

Estimated volume total, Calls 575, Puts 590

Previous day's open int. Calls 10,076, Puts 2,815

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
88	7.11	—	—	—	0.29	—	—	—
90	5.35	6.00	—	—	0.53	2.20	—	—
92	4.08	4.59	—	—	1.26	3.09	—	—
94	2.60	3.57	—	—	2.14	4.07	—	—
96	2.00	3.02	—	—	3.18	5.16	—	—
98	1.19	2.20	—	—	4.37	6.34	—	—
100	0.51	1.48	—	—	6.05	7.62	—	—
102	0.30	1.16	—	—	7.48	8.32	—	—

Estimated volume total, Calls 37, Puts 177

Previous day's open int. Calls 490, Puts 814

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.35	12.54	12.54	12.54	12.54	0.02	0.02	0.22	0.61
1.40	7.54	7.54	7.54	7.71	0.00	0.22	0.88	1.61
1.45	2.54	3.36	4.00	4.58	0.02	1.26	2.47	3.48
1.50	0.00	1.05	1.79	2.42	2.50	4.94	5.26	6.32
1.55	0.00	0.10	0.65	1.13	7.50	9.10	9.12	10.03
1.60	0.00	0.02	0.19	0.46	12.50	12.93	13.66	14.36
1.65	0.00	—	—	0.17	17.50	—	—	19.07

Estimated volume total, Calls 134, Puts 0

Previous day's open int. Calls 3,962, Puts 5,900

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.35	19.80	—	—	16.80	0.50	—	—	1.50
1.40	8.20	9.20	8.30	8.60	0.20	0.25	0.90	1.55
1.45	3.20	3.70	4.45	5.05	0.20	1.15	2.40	3.30
1.50	0.10	1.20	2.10	2.70	2.40	3.65	5.05	6.10
1.55	0.10	0.35	0.90	1.35	7.40	7.80	8.85	0.70
1.60	0.10	—	—	0.65	12.40	—	—	14.00
1.65	0.20	—	—	0.70	17.40	—	—	18.70

Previous day's open int. Calls 3,531, Puts 2,303

Volume 26

PHILADELPHIA £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.30	16.15	—	—	16.15	—	—	—	0.10
1.35	11.15	11.15	—	11.15	—	—	—	0.65
1.40	6.20	6.20	6.70	7.85	—	0.25	0.85	1.75
1.45	2.75	2.35	3.30	3.75	0.20	1.10	2.15	3.20
1.50	0.05	0.75	1.40	1.85	3.00	4.60	5.55	6.75
1.55	0.06	0.06	5.45	0.85	8.00	7.85	9.50	11.35
1.60	0.30	—	0.10	0.35	13.20	13.75	14.25	14.95

Previous day's open int. Calls 782, Puts 1,118

Previous day's volume, Calls 47,011, Puts 39,039

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.25	1.72	1.84	1.53	—	0.00	0.00	0.04	—
92.50	1.47	1.40	1.30	—	0.00	0.01	0.06	—
92.75	1.22	1.15	1.00	—	0.00	0.02	0.02	—
93.00	0.97	0.93	0.87	—	0.00	0.04	0.13	—
93.25	0.72	0.71	0.68	—	0.00	0.07	0.19	—
93.50	0.47	0.51	0.51	—	0.00	0.12	0.27	—
93.75	0.22	0.34	0.37	—	0.00	0.20	6.38	—

Previous day's open int. Calls 2,293, Puts 2,729

Estimated volume, Calls 177, Puts 5

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

9% NOTIONAL SHORT GILT

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

	Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING Se per £

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Contracts and Tenders

$WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, LONDON DEALING ROOM.

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 10, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of September 10, at 11.00 a.m.
3 months: 5⅞ 6 months: 5⅞

ECU=$US1.01994 SDR1=$US1.2072
Sibor as of September 10, at 11.00 a.m.
3 months: 5⅞ 6 months: 5⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

n.a. Not available. [illegible]

For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
102⅝	100½	Exch. 14pc 1986	100¾	−⅛	[illegible]	10.39
99	94¾	Exch. 2½pc 1986	99	—	[illegible]	7.74
102⅝	100¼	Exch. 13¼pc 1987	101⅛	+⅛	[illegible]	9.87
100¾	97⅞	Treas 10½pcCv '87	100⅛	+⅛	[illegible]	9.98
97¾	92¾	Exch 2½pc 1987	97¾	+⅛	[illegible]	7.32
101¾	97½	Exch. 10½pc 1987	100⅝xd	—	[illegible]	9.89
98¾	93¾	Funding 6½pc '85-87‡‡	98½	+⅛	[illegible]	8.93
101¼	96⅞	Treas. 10pc 1987	100⅛	+⅛	[illegible]	9.83
97⅛	90¾	Treas 3pc 1987	96⅜	+⅛	[illegible]	7.53
104½	99¾	Treas. 12pc 1987	102⅛	—	[illegible]	9.89
99¾	92⅞	Treas 7¾pc 1985-88‡‡	97¾	—	[illegible]	9.48
104	96¾	Exch 10½pc '88	100⅝	—	[illegible]	10.00
102¾	95¾	Treas 9¾pc Cv '88	99¾	—	[illegible]	9.95
94¾	86¾	Transport 3pc '78-88	92¾	−⅛	3.24	7.44
102¾	93⅞	Treas. 9½pc '88	99¾	+⅛	9.58	9.94
107⅞	98⅞	Treas 11½pc 1989	103⅞	—	11.12	9.85
103¾	93⅛	Treas 9½pc Cnv. '89	99⅛	+⅛	9.57	9.84
92¾	82⅞	Treas 3pc 1989	89¼	−⅛	3.36	7.45
105⅞	95⅛	Treas 10½pc 1989	101⅛	−⅛	10.38	9.92
104⅞	94¼	Exch 10pc 1989	100⅛	−⅛	9.99	9.93
107⅞	97	Exch 11pc 1989	102¾xd	−⅛	10.69	9.90
93⅛	84½	Treas 5pc 1986-89	90⅞xd	+⅛	5.51	8.45
110⅞	96¾	Exch 10¼pcCv '89	102⅞	−⅛	9.98	9.13
114⅞	103⅛	Treas 13pc 1990‡‡	108⅛	−⅛	11.94	9.78
108¾	97¼	Exch 11pc 1990‡‡	103¼	−⅛	10.65	9.83
113¾	101⅞	Exch. 12½pc 1990	107¼xd	−⅛	[illegible]	9.86
89¾	79¾	Treas. 3pc 1990	85¼	−⅛	[illegible]	7.53
100⅞	89¼	Treas 8¼pc 1987-90‡‡	97	+⅛	[illegible]	9.24
106⅛	93	Treas 10pcCv 1990	100½	−⅛	[illegible]	9.83
86⅞	76½	Exch 2½pc 1990	82¾	+⅛	[illegible]	7.35
112⅛	99⅛	Treas 11¾pc 1991	106¼	−⅛	[illegible]	9.77
94¼	83⅛	Funding 5¾pc '87-91‡‡	90¾xd	−⅛	[illegible]	8.94
86¼	82½	Treas. 3pc 1991⊕	82½	—	[illegible]	7.51
Five to Fifteen Years						
120¾	96⅞	Exch. 11pc 1991	104¾	−⅛	[illegible]	9.94

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

MINES—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
		O.F.S.					
230	105	Beatrix Mines R1	200		†Q15c	1.2	21
905	444	F.S Cons. Gold 50c	780	+18	ZQ160c	—	6.0
240	95	Free State Dev. 10c	175	−5	Q15c	1.1	2.4
962	474	Harmony 50c	756	−6	Q265c	♦	9.8
410	178	Loraine R1	365	+28	Q75c	3.1	5.8
987	586	St. Helena R1	882	+20	Q450c	1.9	14.3
569	313	Unisel	493	+34	Q190c	♦	11.2
555	289	Welkom Gold Hldgs 50c	323	−3	Q234c	1.0	12.5
		Diamond and Platinum					
£55	£32	Anglo Am. Inv. 50c	£52	−½	Q810c	1.0	4.4
527	312	De Beers Df. 5c	490	+8	†Q55c	5.1	3.2
490	275	Do. 40pc Pf. R5	300	−10	Q200c	x	18.7
820	510	Impala Plat. 20c	760xd	−20	Q135c	1.9	5.0
675	410	Lydenburg 12½c	630xd	−15	Q104c	♦	4.6
835	500	Rus. Plat. 10c	795	+5	Q135c	1.6	4.8
		Central African					
210	155	Falcon Z50c	170	......	Q60c	♦	14.7
17	10	Wankie Col. Z$1	14	......	†Q5c	13.6	14.8
16	10	Zam.Cpr.SBD0.24	34	......	—	—	—
		Finance					
98	65	Afex Corp SA $1.50	95	......	Q7.5c	♦	2.3
£13	350	Ang. Am. Coal 50c	500	......	Q240c	3.5	13.4
£10¼	630	Anglo Amer. 10c	990	−10	Q180c	2.0	3.1
£57½	£30⅝	Ang. Am. Gold R1	£51½	−⅛	†Q1450c	1.1	0.1
£40	£21	Anglovaal 50c	£34½	+3½	Q450c	♦	3.7
23½	11	Clogau Gold 10p	20	......	—	—	—
123	70	Cons Afex Corp	90	......	NQ5½c	—	2.1
552	409	Cons. Gold Fields	534	−10	24.5	1.4	6.5
66	34	East Rand Con. 5p	48	−1	1.0	2.5	2.9
820	425	Gencel R1	700xd	+50	195c	♦	7.8
£10	590	Gencor 40c	825	−75	Q195c	2.2	6.6

Miscellaneous

1986 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
86	30	Anglo-Dominion	86	+8	—	—	—
42	20	Anglo Utd Dev	20	−2	1.07	♦	7.5
80	29	Colby Res Corp	32½	−2	—	—	—
300	115	Cons. March. 10c	190	−20	Q100c	♦	14.7
34	24	Ennex Int. Ir10p	24	−2	—	—	—
123	70	Greenwich Res	115	......	—	—	—
157	93	Hampton Areas 10p	146	......	♦1.0	—	1.0
327	165	Highwood Res	280	+5	—	—	—
£19⅝	£13⅛	Homestake Mining $1	£18⅛	−¼	Q20c	—	0.7
310	168	McFinley Red Lake	170	−1	—	—	—
285	144	Muscro Explorations	209	−13	—	—	—
51	28	New Sabina Res C$1	29	−½	—	—	—
297	200	Northgate C$1	274	−7	—	—	—
790	513	RTZ	604	−30	22.0	1.0	5.1
£164	£135	Do. 9½pcLn'95-2000	£133	−1½	Q9½%	15.5	17.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- ** Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ◊ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ✝ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	59	......
Craig & Rose £1	£13½	......
Finlay Pkg. 5p	45	+1
Holt (Jos) 25p	825	......
IoM Stm. £1	75	......
IRISH		
Fund 11¼% 1988	£101¼	......
Nat. 9¾% 84/89	£98	......
Fin. 13% 97/02	£106½	......
Arnotts	285	......
CPI Hldgs	45xd	......
Carroll Inds.	130	......
Dublin Gas	30	......
Hall (R. & H.)	95	−2
Heiton Hldgs.	29	......
Irish Ropes	90	......
Unidare	225xd	......

"Recent Issues" and "Rights" Page 43
(International Edition Page 33)

Wall St pessimism hits markets late—FT-SE index drops 27 points

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20

* "New-time" dealings may take place from 9.30 am two business days earlier.

The cloud of economic and financial uncertainty hanging over Wall Street enveloped London markets late yesterday. The effects were initially resisted but news that the retreat in the Dow Jones index from last Thursday's all-time peak had turned into a full-scale rout triggered a wave of pessimism. Leading equities and Government securities scurried lower, bringing sharp falls in the FT indices.

Heavy futures-related sell programmes and tumbling precious metal prices touched off a gross few hours in New York early yesterday. The Dow Jones index plunged over 70 points with the market showing signs of distress before conditions later became a little calmer. London traders reacted nervously to the downslide and, in an attempt to remain uncommitted until this morning, lowered prices and widened their dealing spreads.

Few blue chips managed to escape punishment and the FT-SE 100 share index, less than two points off at midday, closed showing a sharp fall of 27 points at 1,636.5. The FT Ordinary share index depicted a similar sorry picture, dropping 19.7 to 1,298.2.

Earlier in the day, the equity market had behaved impressively. Leading shares gradually regained opening falls of a few pence and the tone seemed set to improve further. Potential buyers, however, withdrew on the US slide and sellers later had the field to themselves.

The Gilt-edged sector was caught flat-footed by the revived weakness of US bonds, which followed equities down in New York yesterday. Longer-dated Gilts were a touch easier during the morning but the market was under little strain. From 2.30 pm onwards, however, it came under sustained selling pressure and prices wilted badly. The slide continued late in the day and selected longs were then registering falls extending to 1½ points. Conventional shorts and index-linked stocks were affected to a lesser extent.

Clearers down late

Clearing banks lost gains of up to 7 as dealers marked prices sharply lower in a defensive move following news of the heavy fall on Wall Street. Midland reacted from an initial firm level of 587p to finish a few pence easier at 577p, while Barclays ended 14 down at 498p, after 514p. NatWest gave up 11 at 547p, after 562p and Lloyds declined 12 at 445p, after 460p. Elsewhere, Kleinwort Benson fell 25 to 790p, after 785p, on end-Account profit-taking in the absence of the widely-rumoured US bid; it was revealed on Wednesday that American Can, the US container manufacturer, holds a near-5 per cent stake in the merchant bank.

Equity and Law, still reflecting takeover speculation, touched 283p before closing a further 7 dearer at 277p. Prudential, however, lost 10 more for a two-day decline of 40 at 867p on further consideration of the disappointing interim results.

News that shareholders had given their approval to the proposed new board structure at the extraordinary general meeting induced good buying of Guinness which advanced strongly to 348p before reacting after-hours in sympathy with the general dull trend to end the session a couple of pence easier on balance at 336p. Elsewhere in the drinks sector, Allied Lyons lost 10 to 335p as dealers awaited any fresh bid move by Elders IXL.

Leading Buildings suffered a mark-down after hours. Blue Circle, having been as high as 560p, settled 3 cheaper on balance at 552p, while Tarmac relinquished an earlier gain of 4 to close unchanged at 488p. The chairman's optimistic statement at the annual meeting failed to sustain Redland which finished 6 down at 482p. Among Construction issues, John Laing fell away to close a net 14 lower at 414p following interim profits at the lower end of market estimates, while Tilbury Group shed 10 to 162p on the acquisition of Christian Salvesen's Scottish housebuilding operation and a Glasgow property for a total consideration of £6.9m cash to be principally funded by a rights issue. On the other hand, Robert M. Douglas firmed 4 to 134p, after 136p, in reply to the good annual results and confident statement, while Raine Industries attracted revived speculative demand and gained 6 to 80p, after 81p.

ICI fluctuated narrowly prior to closing ¼ off at £10¼. Among other Chemicals, Rosbrook put on 5 to 89p, after 91p, on speculative buying.

Woolworth lower

Woolworth remained unsettled by recent press suggestions that Dixons is on the verge of selling its stake in the company for around 800p per share and closed 15 off at 808p. Other Store leaders typified the quietly dull trend. Dixons gave up 10 at 374p and Marks and Spencer softened a few pence at 210p. Storehouse were supported up to 353p bid at one stage following details of the group's new retailing strategy for British Home Stores, but failed to hold this enhanced level and drifted back to finish 5 lower on balance at 343p. Elsewhere, Ward White moved between extremes of 372p and 369p following the interim results before closing 4 easier at 366p. Freemans dipped 6 to 478p, but Alexon rose that much to 192p following speculative support. Acsis Jewellery were also notable for a speculative improvement of 2 at 14p.

Leading Electricals failed to escape the downward trend. Thorn EMI gave up 13 to 509p and GEC 4 to 170p, while losses of a few pence were recorded in British Telecom, 194p, and BICC, 268p. Elsewhere, revived speculative activity left Stone International 5 better at 180p, but Logica, a good market of late on the Star Wars contract, met with persistent profit-taking and gave up 12 to 211p. International Signal were also noteworthy for a fall of 10 at 255p, while VG Instruments at 500p, gave up a few pence after the previous day's good rise in response to the bumper interim figures. The recovery in annual profits prompted a late rise of 3 to 18p in Memory Computer.

Among the Engineering leaders, Vickers drifted back to close 7 cheaper at 421p on the proposed acquisition of Healthdyne Hospital Products of the US. Elsewhere, APV dipped 20 to 573p on the announcement of the placing of Siebe's 8.74m shares at 560p. Siebe eased 13 to 920p. Delta, awaiting today's interim statement, fell 10 further to 180p, while the chairman's warning on the profits outlook at the annual meeting prompted selling of Howden Group which closed 13 down at 93p.

A disappointing set of interim figures prompted a sharp reaction in Rowntree Mackintosh which fell away to close a net 33 down at 382p. Tate and Lyle, a firm market on Wednesday reflecting a broker's circular, encountered profit-taking and shed 8 to 615p. Hillsdown made early progress to 315p before drifting off to close a couple of pence cheaper on balance at 310p, but Bernard Matthews revived with a gain of 8 at 275p; the latter's interim results are due next Tuesday. Among Retailers, Tesco, a particularly good market of late, came back 6 to 412p, while J. Sainsbury slipped 4 to 418p. Kwik Save were dull at 274p, down 6, but Argyll, boosted by the chairman's confident statement at the annual meeting, finished a penny dearer at 341p. Profit-taking in the wake of the results left Tavener Rutledge 12 down at 58p, while scrappy selling in the absence of any bid developments left Cliffords Dairies "A" 5 off at 235p.

Persistently bought in recent days reflecting traded option activity, Grand Metropolitan succumbed to the late shake-out and closed a net 14 down at 396p. Ladbroke were finally 6 lower at 356p and Trusthouse Forte a couple of pence off at 148p.

Beecham below best

Resisting the downward movement in the miscellaneous industrials leaders, Beecham moved ahead to 418p amid a revival of takeover rumours before easing back to close 5 up on the day at 413p. In contrast, Boots fell 8 to 221p and BTR 10 to 308p, while Pilkington were particularly dull in the late dealings and ended 12 lower at 433p. Reed International, however, still benefiting from US acquisition news, firmed 8 more to 280p. Elsewhere, Associated British Ports rose 11 more to 305p following the interim figures; the rise was also accompanied by vague bid talk. Bid speculation continued in London and Northern which put on 4 more to 84p, but disappointing half-year results left Hepworth Ceramic 5 cheaper at 216p, after 211p. The preliminary figures from Star Computer, down 7 at 100p, also came as a disappointment. Fading bid hopes prompted a fresh fall of 7 to 177p in AGB Research, while profit taking clipped 8 from British Vita at 369p. Buying interest, however, revived in Johnson Matthey which put on 8 to 230p. European Ferries settled a penny lower at 133p following the half-year loss, but Capra Industries rose 3 to 53p and Essex Invest gained a penny to 43p following trading statement. Bowater advanced to 398p on the interim figures and the sale of its UK paper manufacturing and merchanting activities via a management buy-out, but reacted to close only 5 up on the day at 330p.

Increased half-year profits and an encouraging statement failed to sustain Tyne Tees TV which slipped 3 to 237p. Media Technology touched 144p on the annual results before easing back to close 3 cheaper on balance at 140p. Joseph Webb added a penny to 31p on news that Nationwide Leisure had sold its 5.1 per cent holding.

Fears that Turner and Newall's bid will fail left AE 13 easier at 229p, after 225p; T & N eased a penny to 199p. Lucas continued to reflect worries of further industrial action within the company and lost 13 more making a two-day decline of 35 at 523p. Appleyard were also dull at 148p, down 7, on news of the proposed £3.1m rights issue.

Talk of a bid from either Wight Collins Rutherford Scott or Lowe Howard-Spink continued to sustain Good Relations which advanced 8 more to 133p, after 135p. Takeover hopes also helped McCorquodale rise 17 at 240p, while Ault and Wiborg rose 4 to 84p on hopes of early news concerning the sale of its printing ink division to the Japanese. Haynes Publishing lost 10 to 348p on the disappointing annual results and DRG gave up 8 at 262p following profit-taking in the wake of the good interim figures. News that Saatchi and Saatchi has lost over £34m of annual business from its largest single client, Proctor and Gamble, because of potential conflict with accounts for other advertisers caused Saatchi to ease in the early trade to 680p before closing unaltered at 695p.

Fund raising worries continued to overshadow the Property leaders. Land Securities shed 4 more to 318p and MEPC lost 4 further to 325p. Elsewhere, Greycoat came under selling pressure and fell 6 to 238p, while Great Portland Estates softened a couple of pence to 180p. London Shop Property eased 2 to 174p, and Estate Property Investment softened a penny to 181p following the year's results. Profit-taking clipped 4 from Percy Bilton at 298p and 10 from Peel Estates at 480p. On the other hand, Regalian firmed 5 to 350p on Whitechapel development prospects. Mountleigh, still reflecting the chairman's statement, gained 4 more to 210p. Estate agents Connells rose 10 to a 1986 peak of 280p and Hardanger gained the same amount to 310p. Glen International bid hopes continued to boost Marler Estates which advanced 15 more to 556p.

Bats, at 438p, lost 17 of the previous day's gain of 32 which greeted the excellent interim results.

Oils lost ground

Kellock Trust jumped 8 to 91p among Financial Trusts on the announcement that Ogata AG had acquired a 5 per cent stake in the company.

An improved showing by crude oil spot prices saw the leading oils edge higher in quiet trading for much of the session. However, the early slide on Wall Street prompted a widespread mark down of share prices late in the day and BP were left with an 8 decline at 655p. Shell settled 19 easier at 908p, additionally depressed by mild disappointment with the interim dividend, while Royal Dutch dipped £1⅛ to £59¾. Burmah's half-year results were given a poor reception and the shares ran back to close 15 down at 381p. Preliminary results from Triton Europe failed to match market expectations and the price dropped 13 to 120p. Bryson Oil & Gas performed impressively and jumped 7 to 61p on further consideration of the recent cash injection.

Titaghur Jute continued to respond spectacularly to recent news of Gauri Shanker's stake and closed a further 95 higher at 250p. Grand Central, meanwhile, advanced 7 to 73p, after 76p, in belated response to news of the sale of its long leasehold interest in 43 Essex Street, London WC2 and the acquisition of Brayner, a private property company.

Plummeting platinum prices and a sharp fall in bullion failed to cause any major disturbance in mining markets. Platinum continued its recent slump and dropped to around $560 in London during the afternoon — a fall of $110 an ounce since last Friday. In the US overnight it went limit-down for the fourth successive trading session. Bullion was again unsettled by the slide in platinum and retreated towards the $400 mark prior to steadying and closing a net $15.375 lower at $403.

South African Gold shares opened sharply lower, reflecting overnight American selling and a mark down of prices by London dealers, but quickly rallied as a bear squeeze developed. This took share prices higher towards mid-day but sentiment was reversed in the afternoon when deteriorating metal prices triggered renewed selling pressure. At the close of trading in London the sector presented a mixed picture.

The Gold Mines index was barely changed at 297.4. The London-registered Consolidated Gold Fields dropped 10 to 534p and Rio Tinto-Zinc retreated 30 to 604p.

Gencor were a weak market in South African Financials, closing 75 down at 825p following the preliminary figures.

A buoyant performance by mining stocks in Sydney and Melbourne markets overnight encouraged strong demand for Australians in London, although most closed below the day's best levels as sterling moved lower against the Australian currency. Golds were easily the best performers with Gold Mines of Kalgoorlie 30 up at a 1986 high of 550p, and Barrack Mines 45 to the good at 275p. The doubled final dividend and sharply increased full-year profits encouraged good demand for Central Norseman which raced up 28 to 321p. Other firm features in Golds included Metana, 10 better at 164p, and Sons of Gwalia, 7 up at 287p. Of the leading diversified issues Western Mining added 4 at 165p, despite the dividend cut and lower profits. MIM Holdings moved up 5 to 88p.

Traded Options volumes decreased with 19,909 contracts completed, comprising 14,583 calls and 5,326 puts. GEC were actively traded, recording 1,117 calls and 573 puts, while Hanson Trust were again favoured with 1,187 calls and 53 puts done.

FINANCIAL TIMES STOCK INDICES

	Sept 11	Sept 10	Sept 9	Sept 8	Sept 5	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	87.01	87.62	87.48	87.76	88.47	82.74	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.00	94.17	94.24	94.25	94.84	88.14	97.68 (7/7)	86.95 (29/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,298.2	1,317.9	1,331.1	1,323.7	1,338.4	1,014.0	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	297.4	297.3	302.6	315.4	308.6	323.9	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.28	4.21	4.15	4.17	4.13	4.69				
Earnings Yld.% (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.51				
P/E Ratio (net) (*)	12.46	12.71	12.83	12.79	12.93	10.76				
Total Bargains (Est)	21,468	21,609	21,711	19,661	20,726	20,596				
Equity Turnover £m.	—	623.30	584.86	422.96	587.02	370.48				
Equity Bargains	—	22,260	23,095	23,225	23,292	16,855				
Shares Traded (mil).	—	265.0	233.7	194.1	254.6	169.9				

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1310.8	1312.2	1315.5	1315.9	1315.8	1310.3	1306.7

Day's High 1316.0. Day's Low 1298.2.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.95.

LONDON REPORT AND LATEST SHARE INDEX: TEL: 01-246 8026

S.E. ACTIVITY

Indices	Sept. 10	Sept. 9
Gilt Edged Bargains	119.2	125.9
Equity Bargains	144.2	149.6
Equity Value	1299.8	1081.1
5-Day Average		
Gilt Edged Bargains	116.1	119.4
Equity Bargains	148.4	148.4
Equity Value	1128.5	1112.6

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday September 11 1986

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

Opening index 1656.4; 10 am 1656.4; 11 am 1658.5; Noon 1661.6; 1 pm 1661.4; 2 pm 1662.0; 3 pm 1655.4; 3.30 pm 1650.0; 4 pm 1649.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (56)

BRITISH FUNDS (1) Exch 2½pc 1987; AMERICANS (1) Tenneco; CANADIANS (1) Goliath Gold Mines; BREWERS (1) Greene King; BUILDINGS (1) Blockleys; STORES (1) Fields (Mrs); ELECTRICALS (1) Toshiba Corp.; ENGINEERING (1) Carclo Eng.; INDUSTRIALS (7) Alumasc, Hutchison Whampoa, Johnson Matthey, London and Northern, Reed Intl., Securiguard, Swire Pacific A; LEISURE (1) Thames TV; PAPER (3) Ault and Wiborg, McCorquodale, Scott Paper; PROPERTY (10) Connells Estate Agents, Dwys., Marler Estates, McInerney, Merivale Moore, Mountleigh, Mountview Estates, Regalian, Southend Stadium, Utd. Real Prop.; TEXTILES (1) Stoddard A; TRUSTS (11) Bankers' Inv., Brunner Inv., City and Commercial Inc., German Smaller Inv., Keystone Inv., London and Gartmore, SPLIT Cap., Scottish American Inv., TR Natural Resources, Biotechnology Invs., Kellock Tst.; OILS (1) Exxon; OVERSEAS TRADERS (2) Borthwick (Thomas), Inchcape; PLANTATIONS (1) Grand Central; MINES (10) Barrack Mines, Brunswick, Forsayth, Gold Mines Kalgoorlie, Invincible Gold, Metana Minerals, Renison, West Coast, Whim Creek, Anglo-Dominion.

NEW LOWS (14)

BRITISH FUNDS (6) Exch. 14pc 1986, Conversion 10pc 1996, Conversion 9pc 2000, Conversion 9½pc 2005, Treas. 8½pc 2007, Treas. 8pc 2009; ELECTRICALS (1) Ferranti; INDUSTRIALS (2) Mitchell Cotts, Nolton; OILS (4) Floyd Oil, Petrogen Petroleum, Sapphire Petroleum, Sun (UK) Royalty; MINES (1) Ennex Intl.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec	10
Allied Dunbar & Co	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk.	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs.	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co.	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd.	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd.	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10.85	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	11	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 31,012

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept 8	Sept 19	Dec 4	Dec 15
Sept 22	Oct 3	Dec 18	Dec 29
Oct 6	Oct 13	Jan 8	Jan 19

For rate indications see end of Unit Trust Service

Stocks to attract money for the call included Ferranti, Barker and Dobson, Abaco, North Kalgurli, London and Continental Advertising, Hillsdown Holdings, Boots and Pentland Industries. No puts or double options were reported.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Amersham Intl.	420	—	Cement-Roadstone	114	—
Aurora	65	+ 3	Ferranti	98	− 2
BAT Inds.	438	−17	Good Relations	133	+ 8
Beecham	413	+ 5	Guinness	336	− 2
Bowater Inds.	330	+ 5	Plessey	180	—
Burmah Oil	381	−15	Saatchi & Saatchi	695	—

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
BAT Inds.	32	455	+32	Reed Intl.	15	275	+ 8
Brit. Aerospace	22	478	−10	BTR	14	318	− 2
Prudential	18	877	−30	Brit. Telecom	14	196	− 6
BICC	17	270	−18	Costain	14	542	−12
Glaxo	17	£10	− 0⅛	Britoil	13	126	− 6
Creighton Labs.	16	195	+26	GKN	13	279	− 9

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	93	10
Corporations, Dominion and Foreign Bonds	10	6	62
Industrials	169	339	1,017
Financial and Properties	82	116	381
Oils	7	48	56
Plantations	1	—	12
Mines	66	45	74
Others	41	60	92
Totals	387	707	1,698

LONDON TRADED OPTIONS

[illegible]

September 11. Total Contracts 19,909. Calls 14,583. Puts 5,326.
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices September 11

[illegible]

†—No voting rights or restricted voting rights.

MONTREAL
Closing prices September 11

[illegible]

Total Sales 4,738,885 shares

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 143 Declines 1,057

TORONTO	Sept 11	Sept 10	Sept 9	Sept 8	1986 High	1986 Low
Metals & Minerals	2,137.78	2,200.20	2,196.78	2,182.8	2,442.85 (21/3)	1,917.4 (5/8)
Composite	3,028.30	3,008.1	3,004.88	3,002.29	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,515.83	1,553.77	1,557.53	1,568.81	1,623.33 (16/4)	1,386.5 (22/1)

* Indicates pre-close figure

[illegible]

** Saturday September 6: Japan Nikkei 18,763.8, TSE 1,542.27.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER
Nasdaq national market, closing prices

Continued from Page 43

[illegible]

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES		
Beecham	413	+ 5
Central Norse	512	+28
Equity & Law	277	+ 7
GM Kalgoorlie	550	+30
Good Relations	133	+ 8
Grand Central	73	+ 7
Kellock Trust	91	+ 8
McCorquodale	240	+17
Matthews (B)	275	+ 8
Raine Inds	80	+ 6
Titaghur Jute	250	+95

FALLS		
Tr 12½ '03-05	£120⅛	− 1⅛
Tr13½ '04-08	£129	− 1½
AE	229	−13
AGB Research	177	− 7
Allied Lyons	335	−10
Appleyard	148	− 7
Boots	221	− 8
Burmah Oil	381	−15
Delta Group	180	−10
Grand Met	396	−14
Howden Group	93	−13
Laing (J)	414	−14
Pilkington Bros	433	−12
RTZ	604	−30
Rowntree Mackin	382	−33
Star Computer	100	− 7
Tilbury	162	−10
Triton Europe	120	−13
Vickers	421	− 7

Continued from Page 44

banking and industrials. Insurers and retailers, however, posted isolated gains.

Swiss Bank closed SFr 4 higher at SFr 569 while UBS finished with a SFr 120 advance to SFr 5,950. Brown Boveri edged SFr 20 higher at SFr 1,690 although George Fischer was SFr 10 cheaper at SFr 1,860. Swiss Re was steady at SFr 17,700 and Zurich Insurance was SFr 100 up at SFr 8,000.

Amsterdam finished mixed in selective trading. Internationals were one of few active areas as Royal Dutch shed some of its strong gains to close Fl 1.10 higher at Fl 210.80 after declaring an unchanged dividend of Fl 4.50.

Paris suffered late profit-taking and concern over the West German failure to cut interest rates.

Carrefour was one of the hardest hit with its FFr 175 decline to FFr 3,500 while Moët-Hennessy at FFr 2,275 was FFr 65 lower.

Optical equipment group Essilor surrendered all of Wednesday's gain with a FFr 130 drop to FFr 3,275.

Brussels turned lacklustre after its recent record-setting run. The Belgian Stock Exchange index dipped 2.52 to 4,023. 48 as early foreign demand dried up.

Kredietbank led the banking sector lower with its BFr 150 drop to BFr 17,800 followed by Generale de Banque with a BFr 110 slide to BFr 6,300.

Stockholm rose again. Saab-Scania firmed SKr 10 to Skr 730 although Volvo shed SKr 5 to SKr 385.

The pharmaceuticals sector was active with Pharmacia SKr 2 higher at SKr 235 on shareholder approval of a new issue to fund the Leo acquisition. Fermenta jumped SKr 11 to SKr 125 on news that it was negotiating the sale of US assets up to SKr 1bn.

Oslo jumped in heavy trading fuelled by the government's decision to cut oil output. Norsk Hydro added NKr 5.50 to NKr 169.50 on heavy volume.

Milan turned mixed with losses in insurance and banking stocks.

Madrid was quietly lower with Telefonica 4½ points off at 191 per cent of nominal value ahead of its higher profit forecast.

TOKYO

Electricals shine amid the gloom

LATE PROFIT-TAKING pushed equities down across the board except for large-capital issues in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average slipped 58.08 to 18,561.25 after gaining 43 points in the morning. Volume expanded from 844m to 1,258m shares due to active trading in large-capital stocks. Declines led advances by 555 to 298, with 118 issues unchanged.

Some investors began to buy steadily on expectations that prices will rise still higher this autumn, prompted by a continued inflow of institutional investors' surplus funds.

Heavy electricals were popular while steels and shipbuildings moved up slowly. Mitsubishi Electric topped the active list, with 109.60m shares, and strengthened Y23 to Y530, Hitachi rose Y40 to Y1,050 and Toshiba, third most active with 93.03m share, Y10 to Y760.

Almost all electric power and gas utilities gained ground, with Tokyo Electric Power climbing Y40 to Y6,710 and Tokyo Gas Y35 to Y925.

Interest in large-capital steels and shipbuildings revived rapidly. Nippon Kokan was the second busiest stock, with 100m shares changing hands and firmed Y11 to Y298, Mitsubishi Heavy Industries fourth with 89m shares, added Y15 to Y660, Ishikawajima-Harima Heavy Industries, fifth with 86m shares, Y29 to Y480, Kawasaki Steel, 10th with 26m shares, Y6 to Y255.

Reflecting renewed interest in giants, the combined volume of the 10 most active stocks accounted for 53.5 per cent of the total.

Medium-ranked constructions and cements were sought on expectations that the Government will adopt demand-boosting measures in order to reflate the faltering economy. Kumagai Gumi advanced Y40 to Y1,080, Hasegawa Komuten Y20 to Y1,400 and Nihon Cement Y60 to Y720. Conversely, major contractors dipped on profit-taking, with Taisei shedding Y5 to Y934 and Kajima Y30 to Y1,380.

Bluechips declined after a buoyant start to the week. NEC dropped Y20 to Y1,990, Matsushita Electric Industrial Y20 to Y1,690 and Honda Motor Y30 to Y1,330.

Elsewhere, properties, trading houses and biotechnology-related stocks were dull. Mitsubishi Estate weakened Y50 to Y2,420, Mitsubishi Y30 to Y1,370 and Kyowa Hakko Y100 to Y2,180.

Bonds eased on light selling, triggered by the overnight plunge in the US long-term bond market. The yield on the bellwether 8.2 per cent government bond due in July 1995 soared from 4.620 to 4.675 per cent.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
26½	13¾	AAR s	.44	2.8	18	723	23⅞	22¼	22⅜	−1½
30	21¾	ADT	.92	4.2		867	23⅜	22	22⅛	−1½
33	11½	AFG s	.08	.3	15	1018	28⅜	26	27⅛	−¾
25⅜	13¾	AGS			15	170	18½	17⅞	18¼	−⅛
15	9⅞	AMCA			283	37	15⅜	16⅛	10½	−⅜
60⅝	37½	AMR			13	7069	54½	52¼	52½	−2⅛
27½	23¼	ANR pf2.67		10.		11	26½	26¼	26½	+¼
12½	8½	APL			6	26	11¼	11¼	11¼	−⅛
16¾	10	ARX	.71t	3.9	11	1295	12¼	11⅛	11⅞	+¼
40⅞	28¾	ASA	2a	3.4		1192	37½	36½	37¼	−½
18⅝	9¼	AVX		2.8		194	11¼	11	11	−⅜
32	22⅝	AZP	2.72	9.3	8	3857	29¼	28	29⅛	−⅜
33	26⅝	AbtLb s .84		1.9	29	7474	45¼	42⅝	43⅛	−2⅞
32	18⅝	AccoWd.56		2.1	17	128	27¼	26⅞	26⅝	−1⅛
14⅝	9	AcmeC .40		6.8		286	11	10¾	10½	−½
9¼	7	AcmeE.32b		4.6	18	44	7¼	7	7	−½
22⅜	17	AdaEx 1.90e		9.2		295	21⅞	20⅝	20¾	−1⅛
33⅞	18⅞	AdmMl .40		1.6	11	84	26¼	25¼	25⅝	−⅛
20⅝	12	AdvSys.83t		5.4	14	128	15⅞	15¼	15⅜	−¼
32⅞	14⅛	AMD				5504	18½	17¾	17⅞	−1
12⅝	5⅛	Adobe s				44	7⅛	7	7	−½
16⅝	13¾	Adob pf1.84		12.		19	15⅝	15½	15½	−⅛
20¼	15¼	Adob pf2.40		15.		10	16⅝	16⅜	16½	
18⅜	7⅜	Advest .12a		.9	10	555	13⅞	12¾	13	−⅞
68¼	42¼	AetnLf 2.64		4.5	10	5308	60½	58⅝	58⅝	−2
56½	51½	AetL pf4.65e		8.9		2	52⅝	52⅝	52⅝	

Continued on Page 43

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

AMEX COMPOSITE CLOSING PRICES

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Higher rate threat fuels huge sell-off

SURGING yields in the bond market, together with a sharp decline in stock index futures, set the stage for a record-breaking sell-off in Wall Street stocks yesterday, *writes Terry Byland in New York*. The Dow Average fell 88 points in the largest daily loss in its history, on turnover also at a new record. With bond prices falling by 2¼ points, pushing long-dated yields above 7.70 pc, there were doubts over existing levels of stock prices.

The stock market was routed from the opening of trading, and attempts at a rally were brushed aside. The Dow Jones industrial average closed at its low point for the day, showing a net loss of 88.61 points to 1,792.89, the first closing figure below 1,800 since August 8. NYSE turnover at 238.3m shares broke the previous daily record of 236m.

Heavy falls were chalked up by the other market indices, the Standard & Poor's 500 losing 11.88 to 235.18, NYSE composite 8.37 to 135.25, and the American Stock Exchange Index 10.01 to 260.32.

By mid-morning, declining stocks outnumbered the gainers by then-to-one, in heavy trading. Much of the selling pressure was technical, inspired by a plunge in stock index futures to discounts against the underlying stocks. Traders estimated total market exposure to stock futures programmes at around $2bn.

Some traders may have stepped up selling programmes in anticipation of changes proposed by the SEC in trading rules for the next "witching hour" session on September 19 when major futures contracts expire.

The threat of higher interest rates brought widespread losses in utilities, bank and insurance issues. The Dow transportation average, often a major factor in confidence throughout the industrial sector, had declined by more than 20 points by noon.

Predictions that retail sales jumped by 1.3 pc in August threw the federal bond market into total disarray, according to some sources. Hopes of a discount rate cut have almost disappeared, and market analysts fear that a strengthening economy will push rates up sharply.

Once again, the selling trigger was pulled first in the bond futures markets, where the December contract tumbled the full permissable daily limit. Bond prices fell by 1¼ points. The list of stocks on the selling lists included almost all the best-known names in US industry. IBM fell $4⅞ to $139¼, General Motors $2⅞ to $69⅞, Ford $2⅞ to $55, United Airlines $2½ to $56⅞, Dow Chemical $3⅛ to $45¼, Du Pont $3½ to $81½, and Minnesota Mining $5⅞ to $108¾.

In the financial sectors, Bankers Trust lost $2¼ to $45⅞, Chubb, the insurance group, $4½ to $63⅞ and Citicorp $1⅞ to $52. BankAmerica, reported to be selling its profitable Italian subsidiary to raise cash, lost $⅝ to $12⅞. Across the board, stocks which are showing substantial paper gains, were the target for the sell programmes. Merck, at $99⅝ lost $4⅞, while Pfizer, its fellow pharmaceutical group, dipped $2½ to $60⅛. Among the airlines, which have been moving up on speculative demand, American tumbled by $2¼ to $52½, and Delta by $1¼ to $41. Pan American dipped $⅝ to a new low of $5. Almost the sole survivor in the airline sector was People Express, up $⅛ to $3⅝ on reports that the board is seeking a buyer or partner.

Damage to the Dow Transportation average came from huge falls in railroad issues. The railroads, which haul corn and industrial products across the US continent to the ports, are traditionally seen as early indicators of economic trends.

Nervousness over the recent gains in the stock brought sellers out in force on the rail stock sector. CSX tumbled by $1⅞ to $29 and Union Pacific by $3⅛ to $56⅝.

Despite expectations of high industry sales numbers, retail stocks took a beating as selling programmes cut their way across the full range of the market.

Sears, unsettled also by worries about interest rates which will bite into its finance industry interests, fell $2¼ to $42, while J. C. Penney at $78⅞ lost $2¼, and Federated Department Stores gave up $2⅞ to $82½.

In the credit market, short-term rates jumped sharply, three-month Treasury bills adding 7 basis points to 5.20 per cent. Losses in federal bonds ranged to nearly 2 full points in the face of rumours that the US retail sales statistics, due for release today had been "leaked" into the market.

CANADA

MOST SECTORS retreated sharply in Toronto, in line with the movement on Wall Street.

Blue chips, which are also listed in New York, led the decline. Bell Canada traded C$½ down at C$38⅞, Canadian Pacific fell C$½ to C$15⅞, Seagram slid C$3⅞ to C$81⅛ and Northern Telecom dipped C$1⅞ to C$40⅞.

Dome Petroleum fell 8 cents to C$1.16

Montreal followed Toronto lower.

HONG KONG
Overseas buyers trek to new peak

INSTITUTIONS from overseas made heavy buying forays into Hong Kong, pushing the Hang Seng index to a record in bectic trading.

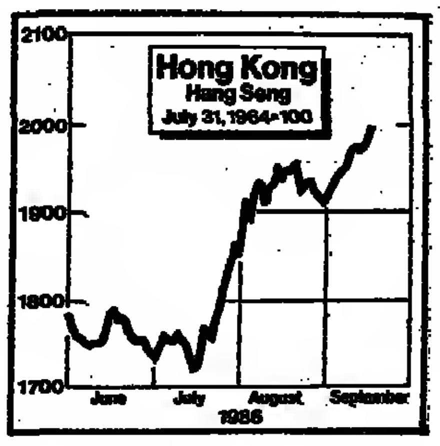
Wednesday's announcement from Hongkong Land that interim profits had almost doubled from the year-ago level also boosted market sentiment.

The Hang Seng index, which touched a high of 2,004.28 at one stage in the session, ended with a healthy gain of 21.78 to 1,997.92 from its previous record, set on Wednesday.

Buying was aimed at utilities, which have lagged behind the market, and property issues which are benefiting from a boom in the real estate market.

Hongkong Land gained 10 cents to HK$6.75, Cheung Kong 20 cents to HK$25.40, New World a similar amount to HK$7.40 and Hongkong Wharf was steady at HK$9.00.

Among utilities, China Light added 30 cents to HK$17.10, Hongkong China Gas 20 cents to HK$16.70 and Hongkong Electric 15 cents to HK$9.85.



SINGAPORE

IN SPITE OF nervousness in Singapore over Promet's financial health, blue chips were sought and prices rose over a broad front.

Promet was suspended on Wednesday at around 41.5 cents and numerous rumours circulated the market about the likely outcome of talks with its creditor banks. The market is generally confident, however, that the Malaysian Government will step in as a last resort to prevent the company from going into receivership.

Among blue chips, Keppel Corporation gained 5 cents to S$2.15, Malayan Banking 18 cents to S$4.38 and OCBC 15 cents to S$8.15. Singapore Airlines rose 10 cents to S$7.85 and Straits Trading 16 cents to S$3.48.

LONDON

NEWS THAT the retreat on Wall Street had turned into a rout triggered a wave of pessimism in London and both equities and gilts scurried lower.

Few blue chips managed to escape punishment and the FT-SE 100 share index, less than 2 points off at midday, closed down 27 at 1,636.5. The FT Ordinary index dropped 19.7 to 1,298.2.

Scattered issues recorded rises, Beecham put on 5p to 413p while in the gold sector, Central Norseman up 28p at 512p and Gold Mines of Kalgoorlie 30p higher at 550p resisted the bearish trend among metals and minerals in New York.

Gilts came under sustained selling pressure after midday and selected longs registered falls extending to 1½ points.

Chief price changes, Page 41, Details, Page 40, Share information service, Pages 38–39

AUSTRALIA

A LOWER-than-expected August balance of payments deficit helped shares to rise in Sydney in spite of other bearish news.

Investors ignored rumours of higher interest rates, after Australia's credit rating was downgraded by Moody's, and bought issues at bargain prices.

The All Ordinaries index firmed 2.2 points to 1,234.9 and the industrials index gained 3.8 to 1,945.1.

News Corporation was the star performer, rising A$1.00 to a record A$26.40 ahead of news that profits had jumped 52 per cent for 1986.

EUROPE
Bundesbank stance casts a shadow

DISAPPOINTMENT that the West German Bundesbank would not cut its key rates combined with active profit-taking to push many European bourses lower yesterday although most centres displayed isolated strength.

Frankfurt was hit by a bout of late selling that was not reflected in the mid-session calculation of the Commerzbank index – up 19.3 to 2,089.9.

Foreign and domestic investors alike were dissuaded by the suspicion – confirmed after the close of trading – that the Bundesbank would not alter its credit policies although brokers said that the central bank's stance did not come as a complete surprise.

Bank and car makers suffered the most in the late afternoon selloff while machinery makers and retailers fared reasonably well.

Deutsche Bank retreated DM 10 to DM 808 and Dresdner Bank closed DM 2.80 lower at DM 433.

Daimler continued to lead the way in the car sector with its DM 15 fall to DM 1,292 as Porsche gave up DM 12 to DM 1,168.

MAN was the leading light among the machinery makers with a DM 9 rise to DM 242 and Linde scored a DM 8 advance to DM 768.

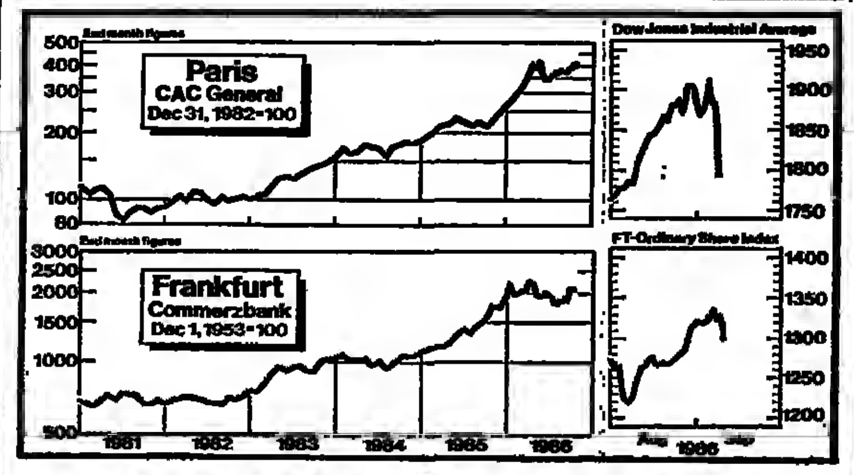
Among leading retailers, Karstadt posted the first gain in seven sessions as it closed DM 7 higher to DM 435 and rival store group Kaufhof finished DM 4.50 stronger at DM 501.

The bond market plunged by almost 1½ points on the uncertainty over the Bundesbank stance on rates. The market suffered a further bout of nerves on reports that Mr Karl Otto Pohl, Bundesbank President, would not attend the next policy council meeting of the bank on September 25 suggesting that key rates would not be altered then.

Zurich gained ground from strong foreign institutional buying that centred on

Continued on Page 41

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept. 11	Previous	Year ago
NEW YORK			
DJ Industrials	1,792.89	1,879.50	1,319.44
DJ Transport	748.50*	782.83	669.36
DJ Utilities	201.09*	211.35	155.11
S&P Composite	235.06*	247.06	185.03
LONDON			
FT Ord	1,298.2	1,317.9	1,014.0
FT-SE 100	1,636.5	1,663.5	1,302.20
FT-A All-share	812.59	822.98	635.78
FT-A 500	891.49	904.11	699.20
FT Gold mines	297.4	297.3	323.9
FT-A Long gilt	8.90	9.79	10.44
TOKYO			
Nikkei	18,560.87	18,619.33	12,625.2
Tokyo SE	1,534.69	1,535.30	1,013.57
AUSTRALIA			
All Ord.	1,235.5	1,232.4	955.1
Metals & Mins.	610.0	601.1	526.1
AUSTRIA			
Credit Aktien	239.69	239.63	197.22
BELGIUM			
Belgian SE	4,023.48	4,026.00	2,423.69
CANADA	Sep 11	Prev	Year ago
Toronto			
Metals & Minls	2,137.70	2,209.20	1,986.00
Composite	3,020.90	3,096.10	2,753.60
Montreal			
Portfolio	1,515.63	1,558.77	134.37
DENMARK			
SE	n/a	196.52	114.99
FRANCE			
CAC Gen	399.80	402.30	220.5
Ind. Tendance	152.40	154.90	90.45
WEST GERMANY			
FAZ-Aktien	692.54	685.98	516.59
Commerzbank	2,089.90	2,096.90	1,513.7
HONG KONG			
Hang Seng	1,997.92	1,976.16	1,571.95
ITALY			
Banca Comm.	770.45	770.81	368.25
NETHERLANDS			
ANP-CBS Gen	295.5	296.9	221.2
ANP-CBS Ind	297.1	299.4	193.5
NORWAY			
Oslo SE	385.49	380.39	362.40
SINGAPORE			
Straits Times	840.43	828.78	751.46
SOUTH AFRICA			
JSE Golds	–	1,766.0	1,037.9
JSE Industrials	–	1,364.0	942.2
SPAIN			
Madrid SE	200.97	203.69	81.05
SWEDEN			
J & P	2,518.44	2,473.79	1,384.67
SWITZERLAND			
Swiss Bank Ind	574.60	572.00	499.3
WORLD	Sept. 10		
MS Capital Int'l	355.9	354.20	213.4

COMMODITIES

(London)	Sep 10	Prev
Silver (spot fixing)	381.35p	391.05p
Copper (cash)	£914.50	£911.50
Coffee (Sept)	£2,387.50	£2,357.50
Oil (Brent blend)	$14.375	$14.70

GOLD (per ounce)

	Sep 11	Prev
London	$403.00	$418.375
Zürich	$402.00	$416.50
Paris (fixing)	$404.29	$410.73
Luxembourg	$407.50	$410.00
New York (Dec)	$413.00	$409.80

CURRENCIES

	US DOLLAR		STERLING	
(London)	Sep 11	Previous	Sep 11	Previous
$	–	–	1.4690	1.4815
DM	2.0910	2.0635	3.0725	3.0575
Yen	156.30	154.75	229.50	229.25
FFr	6.8325	6.7450	10.0375	9.9925
SFr	1.6990	1.6740	2.4960	2.4800
Guilder	2.3590	2.3265	3.4650	3.4450
Lira	1,442	1,421	2,118.5	2,105.25
BFr	43.25	42.70	63.55	63.25
C$	1.3880	1.3865	2.0445	2.0512

INTEREST RATES

Euro-currencies	Sep 10	Prev
(3-month offered rate)		
£	10⅞	10
SFr	4⅞	4¾
DM	4⅞	4⅝
FFr	7⅝	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6	5 15/16
6-month US$	6	5 15/16
US Fed Funds	5 15/16*	5⅞
US 3-month CDs	5.65*	5.625
US 3-month T-bills	5.195*	5.30

US BONDS

Treasury	September 11 Price	Yield	Prev Price	Yield
6¾ 1988	99 7/32	6.38	99 15/32	6.259
7¼ 1993	98 15/32	7.356	100 3/32	7.156
7¼ 1996	98	7.52	100 1/32	7.313
7¼ 2016	94 25/32	7.687	96 25/32	7.513

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Sep 11* Day's change	Yield	Day's change
1–30	155.02	–0.56	7.15	+0.09
1–10	148.32	–0.35	6.83	+0.10
1– 3	139.52	–0.13	6.37	+0.09
3– 5	150.67	–0.42	7.08	+0.11
15–30	179.16	–1.32	8.22	+0.08

Source: Merrill Lynch

Corporate	September 11 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	81⅜	6.318	91⅜	6.318
SCBT South Central				
10⅛ Jan 1993	105⅜	9.581	105⅜	9.581
Phibro-Sal				
8 April 1996	99⅜	8.113	99⅜	8.113
TRW				
8⅞ March 1996	102⅜	8.515	102⅜	8.515
Arco				
9⅞ March 2016	105⅜	9.324	105⅜	9.324
General Motors				
8⅜ April 2016	90⅜	9.025	90⅜	9.025
Citicorp				
9⅞ March 2016	98	9.579	98	9.579

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	95-15	96-27	95-02	97-21
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94.73	94.78	94.71	94.81
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	94.39	n/a	94.39	94.43
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	93.97	94.03	93.97	94.08
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	116-07	117-00	117-00	117-19

* *Latest available figures*